Analyst Briefing Notes

Budget Committee Review

(October 29, 2007)

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Contacts: Judy Broughton, Manager, Financial Planning
Tel: (416) 392- 8393

Maria Djergovic, Senior Financial Planning Analyst
Tel: (416) 397- 4558

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PART I: CAPITAL PROGRAM

Executive Summary

- The 2007 Approved Capital Budget of $41.037 million was 19% spent as at June 30, 2007. Actual expenditures by year-end are anticipated to be $37.936 million, or 92% of the 2007 Approved Capital Budget, resulting in projected 2007 cash flow funding of $1.791 million being carried forward into 2008. This spending rate is consistent with project schedules for construction. Typically, the majority of cash flow funding is spent in the third and fourth quarters, after construction is tendered and awarded. The projected year-end spending rate for 2007 approved projects of 92% represents an improvement over the 80% rate achieved in 2006.

- The 2008 Recommended Capital Budget; 2009-2012 Plan and 2013 to 2017 Estimates total $371.163 million of which $209.002 million is projected for the Program's 5-Year Capital Plan, requiring debt funding of $186.219 million and cash flow of $37.764 million in 2008, $48.765 million in 2009, $46.572 million in 2010, $46.901 million in 2011 and $29.000 million in 2012. The 5-Year Capital Plan exceeds the Program's debt targets by $0.7 million in 2008, $12.4 million in 2009, $5.0 million in 2010 and $5.5 million in 2011.

- The 5-Year Capital Plan incorporates essential life cycle replacements and addresses existing State-of-Good-Repair (SOGR) backlog. The corporate facilities portfolio has an estimated $155.0 million in essential backlog projects. Within 5 years, at the current funding level, Facilities and Real Estate will reduce this backlog by approximately $72 million, or $14 million on average annually. The backlog balance is expected to be eliminated by the end of 2018, subject to the approval of consistent funding levels and the results of future building condition assessments.

- In addition to addressing existing SOGR backlog, the 5-Year Capital Plan includes essential asset life cycle replacements at $9 million per year.

- The 5-Year Capital Plan will fund a number of multi-year projects, including mechanical and electrical upgrades of various corporate buildings, installation of an Uninterruptible Power Supply at Police Headquarters, environmental emergency remediation at various City locations, a new capital asset management system etc., which will all be completed within the next 5 years. It also includes two major new capital initiatives, the Yards Consolidation Study and Old City Hall HVAC Upgrade. Nathan Phillips Square Revitalization, previously a stand alone project, has also been added to the Facilities and Real Estate's 5-Year Capital Plan as a core asset.

- The 2008 Recommended Capital Budget including previously approved commitments requires new 2008 cash flow of $35.973 million gross with debt funding of $34.794 million. This cash flow combined with carry forward funding of $1.791 million for 2007 projects brings the total 2008 Recommended Capital Budget to $37.764 million gross, of which $34.981 million is funded by debt.

- 19% of the 2008 recommended cash flow is allocated to Health and Safety projects at $6.881 million; 8% to Legislative or contractually required projects at $2.891 million; 53% to State-of-

Good-Repair projects at $19.045 million; 18% to Service Improvement projects at $6.596 million and 2% to Growth Related projects at $0.560 million.

- The 2008 recommended cash flow includes $1.989 million for detailed architectural and related design work to implement the Council endorsed winning design for revitalization of Nathan Phillips Square**.** Subject to securing other sources of funding from private/public partnerships and other orders of government, this work, anticipated to be completed in the summer of 2008, will be followed by a multi-year phased construction contract award for implementation of the winning design with completion scheduled for 2011.
- In 2008, the Program will initiate work on condition assessments and cost-benefit studies to consolidate approximately 55 yards and 114 building across the City, used for transportation and other public works related services. The 2008 recommended cash flow will fund $1.000 million for initial assessments of facilities in the South District. The work on the North District segment is planned for 2009, followed by the East District segment consolidation study in 2009.
- The 2008 recommended cash flow will fund $0.250 million to initiate work on the Old City Hall HVAC systems upgrades. The intent of this initiative, which is phased over the four year period, with the funding in the total amount of $10.487 million, is to combine the implementation of the Old City Hall and electrical systems together to maximize the cost effectiveness in upgrading the building's aging infrastructure. The advantages include cost reduction in labour, ductwork, air distribution and other equipment.
- In addition, the 2008 recommended cash flow will fund approximately 130 projects involving mechanical, electrical, structural, environmental and other capital maintenance work on various corporate facilities across the City. By the end of 2008, about 75 projects will be completed, reducing the current State-of-Good Repair project backlog by $14 million.
- The Program has initiated the Capital Asset Management System project (CAMS) which should result in implementation of an industry accepted facility asset management system by the end of 2008.
- The Recommended 2008 Capital Budget earmarks two service enhancement projects, valued at $3.535 million, for Toronto's 13 priority neighbourhoods initiative. These projects include renovation of a facility at 1652 Keele Street to provide additional 3rd floor community space as well as lower level youth space ($0.335 million), and initial planning work on the development of Father Henry Carr High School in the Rexdale Community Hub ($0.225 million), for a total of $0.560 million in 2008.
- The 2008 Recommended Capital Budget will fund projects that will ensure adherence to the latest building standards and ecologically friendly initiatives, such as the Green Roof project and the Deep Lake Water Cooling (DLWC) project at Old City Hall which is aligned with one of Council's key strategic objectives of lowering energy consumption rates and reducing greenhouse gas and smog emissions.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Capital Budget for Facilities and Real Estate with a total project cost of $46.431 million and a 2008 cash flow of $37.764 million and future year commitments of $53.807 million be approved. The 2008 Recommended Capital Budget consists of the following:

   a) New cash flow funding for:

      i) 61 new sub-projects with a 2008 total project costs of $46.431 million that requires cash flow of $14.532 million in 2008 and a future year commitment of $19.361 million in 2009, $6.106 million in 2010, $6.416 million in 2011 and $0.016 million in 2012;

      ii) 73 previously approved sub-projects with a 2008 cash flow of $21.441 and a future year commitment of $9.799 million in 2009, $4.287 million in 2010, $3.257 million in 2011 and $4.565 million in 2012; and

   b) 2007 approved cash flow for 6 previously approved sub-projects with carry forward funding from 2007 into 2008 totalling $1.791 million;

2. new debt service costs of $1.044 million in 2008 and incremental costs of $4.636 million in 2009, $3.277 million in 2010, $1.433 million in 2011 and $1.201 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;

3. the 2009-2012 Capital Plan for Facilities and Real Estate totalling $168.263 million in project commitments and estimates comprised of $48.765 million in 2009, $46.572 million in 2010, $46.901 million in 2011 and 29.000 million in 2012 be approved;

4. the 2008-2012 funding for the Nathan Phillips Square revitalization project be approved subject to securing other sources of funding from private/public partnerships and other orders of government in the amount of $17.800 million;

5. the 2008-2012 funding for development of the Father Henry Car High School be approved subject to Council’s approval of the lease agreement for the Facility and the establishment of a model for its operation;

6. the Executive Director for Facilities and Real Estate report back on operating impacts of energy efficiency projects included in the 5-Year Capital Plan and estimated operating budget savings in time for consideration with the 2009 Capital and Operating Budget Process; and

7. the Executive Director for Facilities and Real Estate report back on the possibility of Yard Waste Consolidations Studies (South, North and East District) being eligible for the funding from the Federation of Canadian Municipalities (FCM) in time for consideration with 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
41,037	7,680	19	37,936	92	3,101

* Consolidated data for Facilities and Real Estate and Nathan Phillips Square.
**Adjusted for the 2006 final year-end carry forward funding.

Comments / Issues:

- At the end of June 30, 2007, Facilities and Real Estate spent approximately $7.7 million or 19% of its 2007 Approved Capital Budget of $41.0 million. This spending is consistent with project schedules for construction. Typically, the majority of cash flow funding is spent in the third and fourth quarters, after construction is tendered and awarded.

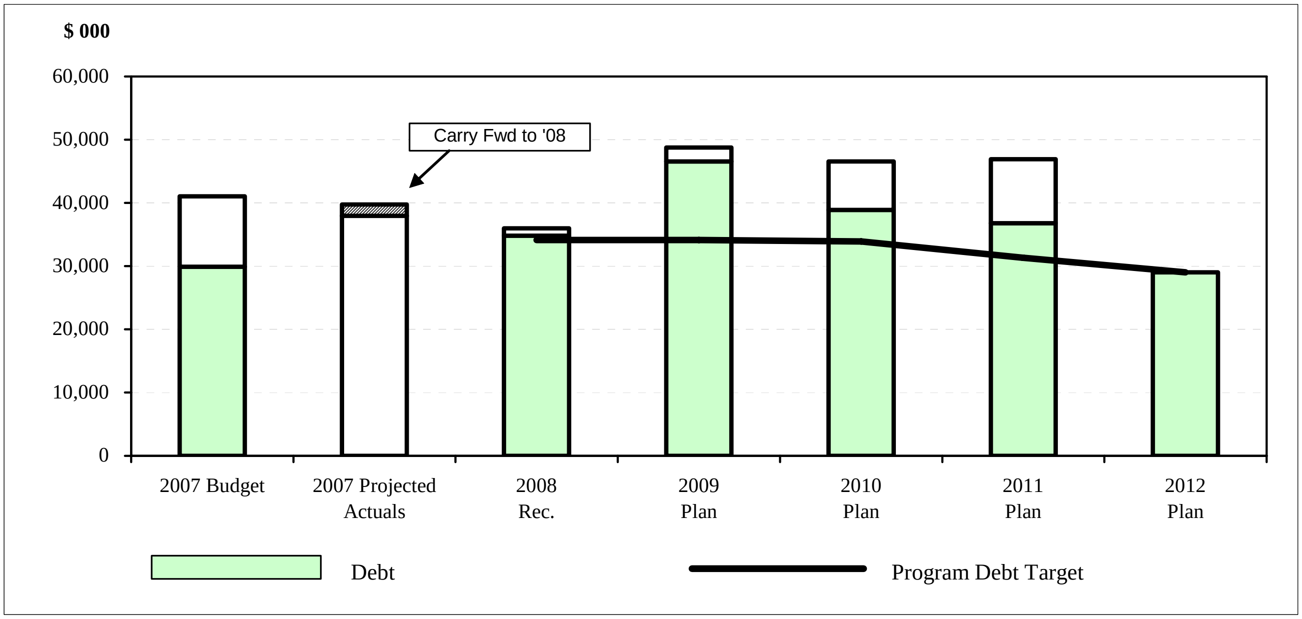
- Facilities and Real Estate's projected year-end spending for 2007 approved projects is $37.936 million or 92% as reported in its June 30, 2007 Variance Report. This represents an improvement over the 80% spending rate achieved in 2006. The projected spending rate reflects cost containment measures (City Hall Second Floor Renovations deferral) of $1.000 million or 2.4% of the approved cash flow. The projected spending rate without cost containment deferrals would be 95%.

- The recommended carry forward funding included in the 2008 Recommended Capital Budget is $1.791 million and is slightly lower than the projected under-spending (excluding cost containment deferrals) in the 2nd Quarter Variance Report ($2.296 million), based on more recent information on actual spending.

Cost Containment Impact

As part of cost containment measures, the City Hall 2nd Floor Renovations project has been deferred from 2007 to 2008 and 2009. The previously approved funding of $0.870 million (for 2007) and $1.900 million (for 2008) was deferred to 2008 ($0.870 million) and 2009 ($1.900 million). Implementation of this cost containment measure will result in a deferral of associated debt service charges in the amount of $0.026 million in 2007, $0.127 million in 2008 and $0.056 million in 2009.

5-Year Capital Plan (2008-2012)



	2007		5-Year Plan					
	Budget	Projected Actual	2008	2009	2010	2011	2012	2008-2012
Gross Expenditures:								
2007 Capital Budget & Future Year Commitments	41,037	37,936	23,492	8,953	5,332	3,562	1,785	43,124
Recommended Changes to Commitments			(2,051)	846	(1,045)	(305)	2,780	225
2008 New/Change in Scope and Future Year Commitments			14,532	19,361	6,106	6,416	16	46,431
2009 - 2012 Plan Estimates				19,605	36,179	37,228	24,419	117,431
1-Year Carry Forward to 2008		1,791						
Total Gross Annual Expenditures & Plan	**41,037**		**35,973**	**48,765**	**46,572**	**46,901**	**29,000**	**207,211**
Program Debt Target	**29,900**		**34,128**	**34,128**	**33,916**	**31,316**	**29,000**	**162,488**
Financing:								
Recommended Debt	29,900		34,794	46,565	38,872	36,801	29,000	186,032
Other Financing Sources:								
Reserves/Reserve Funds								0
Development Charges	696							0
Federal								0
Provincial				1,200				1,200
Other Revenue	10,441		1,179	1,000	7,700	10,100	0	19,979
Total Financing	**41,037**		**35,973**	**48,765**	**46,572**	**46,901**	**29,000**	**207,211**
By Category:								
Health & Safety	16,404		6,881	5,074	5,510	2,709	4,880	25,054
Legislated	8,950		2,891	2,757	2,967	1,978	1,380	11,973
SOGR	6,996		19,045	27,746	32,745	37,897	20,473	137,906
Service Improvement	8,687		6,596	10,213	5,350	4,317	2,226	28,702
Growth Related			560	2,975			41	3,576
Total By Category	**41,037**		**35,973**	**48,765**	**46,572**	**46,901**	**29,000**	**207,211**
Yearly SOGR Backlog Estimate (not addressed by current plan)								
Accumulated Backlog Estimate (end of year)		155,033	141,098	131,609	117,598	99,529	82,774	82,774
Operating Impact on Program Costs			0	0	0	0	0	0
Debt Service Costs			1,044	5,224	6,288	5,380	4,918	22,854

* Note that the 1-Year Carry Forward reflects the latest estimate.

5-Year Capital Plan Overview

Overview

Facilities and Real Estate is responsible for the maintenance of 267 buildings identified as corporate facilities, valued at approximately $2.18 billion. The main objective of the 5-Year Capital Plan is to ensure that all corporate facilities are maintained in a state-of-good repair and to ensure that facilities provide a safe and functional environment for all users.

Facilities and Real Estate's 2008-2012 Recommended Capital Plan calls for $203.7 million in funding, excluding one-year carry forward funding, over the next five years. Of that amount, the Plan earmarks $175.0 million or 86% for state-of-good repair (SOGR), including health and safety projects and projects with legislative requirements, while the remaining balance of $28.7 million or 14 % is assigned to Service Improvement (SI) initiatives through large scale redevelopment and space planning projects and facility rationalization studies.

The Recommended 5-Year Capital Plan is above the Program's debt targets for the first four years: $0.7 million in 2008, $12.4 million in 2009, $5.0 million in 2010 and $5.5 million in 2011. This is because the 5-Year Capital Plan incorporates several major capital initiatives, requiring significant increases in debt funding ($23.6 million over five years), not identified or included in the previous 5-Year Capital Plan. Without these additions, the Program meets the approved targets in all years for its own core building portfolio.

The corporate facilities portfolio has an estimated $155.0 million in essential backlog projects. Within 5 years, at the current funding level, Facilities and Real Estate will reduce this backlog by approximately $72 million or $14 million on average annually. In addition to addressing existing state-of-good repair backlog, the Recommended 5-Year Capital Plan reserves funding for essential life cycle replacements at $9 million per year.

The Recommended 5-Year Capital Plan is based on condition assessments of facilities within the Program's portfolio of assets completed to date. The cash flows projected for all new initiatives are based on detailed work schedules and cost estimates. Facilities and Real Estate historically has high spending rates and the Program is ready to proceed with the projects included in the Recommended 5-Year Capital Plan.

Multi-Year Debt Affordability Target

The Recommended 5-Year Capital Plan includes two major capital initiatives, requiring an increase in debt funding of $19.5 million over five years, which was not identified in the 2007-2011 Capital Plan, specifically the Yards Consolidation Study and Old City Hall HVAC Upgrade projects. The 5-Year Capital Plan also earmarks two projects for Toronto's 13 priority neighbourhoods requiring debt funding of $1.300 million**.** In addition, the City Hall 2nd Floor Renovations project in the amount of $2.8 million, originally to be funded from unapplied capital funding, is now deferred from to 2007 to 2008 (as a part of cost containment measures), creating an additional demand on debt funding.

The above changes have resulted in an increase in debt funding of $23.6 million over the five year period or 14% of the originally approved overall debt target. On an annual basis, the Recommended 5-Year Capital Plan is above the Program's debt targets for each of the first four years: $0.7 million in 2008, $12.4 million in 2009, $5.0 million in 2010 and $5.5 million in 2011.

Nathan Phillips Square Revitalization, previously a stand alone project, has been also added to the Facilities and Real Estate's 5-Year Capital Plan. This project had an established overall budget of $40.0 million gross,, $14.2 million debt. Although the Recommended 5-Year Capital Plan meets that target, it sets out cash flows that, on an annual basis, differ from originally approved annual targets.

Recommended Changes to the 2007 – 2011 Capital Plan

The Recommended 2008-2012 Capital Plan includes changes to the 2007 -2011 Capital Plan, as well as changes to future year cash flow commitments previously approved by Council, due to the following:

- Several projects were deferred to 2008 as a result of omissions by a design consultant and need to coordinate work with other projects at the same location (such as air conditioning and exhaust system replacement projects at 23 Grange Road). In turn, some other projects (such as the roofing project at 277 Victoria Street and replacement of air conditioning units at 91 Front Street East) were accelerated from 2008 to 2007 in order to maximize available funding sources.

- In a number of other instances funding was reallocated between projects in order to accommodate more recent cost estimates. In addition, approximately 15 projects (previously included in the 5-Year Capital Plan) have been replaced with new ones to respond to changed project priorities. This is because all projects are subject to on-going validation and are regularly reviewed and reprioritized to reflect actual building conditions. Except for the addition of new capital initiatives (Yards Consolidation Study, Old City Hall HVAC Upgrade and capital projects included in the Toronto's 13 Priority Neighbourhoods initiative) and deferral of the City Hall 2nd Floor Renovations, all changes have been accommodated within the approved debt targets established for this Program.

Program Capacity and Readiness to Proceed

Facilities and Real Estate historically has had high spending rates. A three year historical average spending experience including the latest projection for 2007, would indicate an average yearly capacity of $36.6 million representing an average spending rate of 85%. Focusing on individual years, 2007 with projected spending of $37.9 million or 92%, indicates an improvement over 2006 with corresponding spending of $34.6 million and a rate of 80%.

For 2008, the cash flow is set out at $36.0 million (without carry forward funding), which is rather consistent with historical spending. For years 2009, 2010 and 2011, projected cash flows exceed historical spending by $12.2 million, $10.0 million and $10.3 million, respectively.

The Program is ready to proceed with projects included in the 5 Year-Capital Plan as project costs and scope are validated on an on-going basis and projects are prioritized based on audits completed to date. In order to ensure that this prioritization process is transparent, objective and well documented, the Program has initiated the Capital Asset Management System project (CAMS) which should result in implementation of an industry-accepted facility asset management system by the end of 2008.

The Program's capacity to spend on new major capital initiatives will also rely on the efficient service delivery from contractors and, in the case of the Nathan Phillips Square Revitalizations project, on the availability of 3rd party funding.

Backlog of Projects – Unmet Needs

Facilities and Real Estate is responsible for the maintenance of 267 buildings identified as corporate facilities. Approximately 20% of City owned buildings are over 50 years old.

The 2007 year-end state-of-good repair backlog is valued at $155 million. Within 5 years, at current funding levels, Facilities and Real Estate will reduce this backlog by approximately $72 million or $14 million on average annually. The backlog balance is expected to be eliminated by the end of 2018, subject to approval of consistent funding levels and the results of future building condition assessments.

In addition to addressing existing backlog, the Recommended 5-Year Capital Plan includes life cycle replacements of components that are at the end of their service life, at an average amount of $9 million per year over the 2008-2012 period. This represents less than 1% of the total asset value and it falls short of the industry standard for capital maintenance of 2%-4% of the total asset value per year. Alternatively, if Facilities and Real Estate were to comply with the minimum industry standard for capital maintenance of 2%, the 5-Year Capital Plan requirements would not be sufficient to address any of the existing backlog.

Capital Project Highlights

Strategic Priorities:

The 5-Year Capital Plan advances the following strategic priorities:

- ***A Cleaner and More Beautiful City - Developing a comprehensive public space beautification plan.***

Nathan Phillips Square was the first in a series of design competitions hosted by the City**.** The design competition has attracted international competitors with a variety of visions to revitalize the Square. In June 2007, City Council endorsed the winning design (Plant Architect Inc. and Shore Tribe Irwin and Partners) as well as a contract award to the winning team for architectural and other design related work. The Square will be revitalized to increase its attractiveness to both residents and visitors and become a public space vital to the city's lifestyle. The Recommended 5-Year Capital Plan includes the funding of $31.975 million for the Nathan Phillips Square revitalization.

- ***Develop a comprehensive climate change plan to cut greenhouse gas emissions to help combat global warming***

Facilities and Real Estate, through the Energy Efficiency Office, coordinates energy efficiency efforts across the City and assists other Programs through their capital projects, to enable participation in various provincial and federal initiatives concerning renewable energy, clean energy generation and energy conservation and demand projects. This is aligned with an overall objective of lowering energy consumption rates and reducing greenhouse emissions and smog emissions to meet targets recently approved by Council through adoption of the Climate Change, Clean Air and Sustainable Energy Action Plan.

- ***Implement the recently approved Toronto Green Building Standard to ensure ecologically friendly buildings***

The 2008 Recommended Capital Budget includes funding for the conversion of existing refrigerant chillers to Deep Lake Water Cooling (DLWC) technology at Old City Hall ($2.7 million), as well as a number of other projects concerning the retrofits of corporate buildings across the City, enabling the City to lead the way by ensuring that its own facilities meet the latest building standards and ecologically friendly initiatives.

- ***Invest $13 million in Toronto's 13 priority neighbourhoods over the next four years***

The Recommended 5-Year Capital Plan for Facilities and Real Estate earmarks two service enhancement projects, valued at $3.535 million, for Toronto's 13 priority neighbourhoods and its surrounding areas. This includes a total of $0.560 million in 2008 for renovation of facility at 1652 Keele Street to provide additional 3rd floor community space as well as lower level youth space ($0.335 million), and initial planning work on the development of Father Henry Carr High School in the Rexdale Community Centre ($0.225 million). The latter requires Council's approval for the lease agreement at the Facility and the establishment of a model for its operation.

Other City Initiatives:

The Facilities and Real Estate's 5 Year Capital Plan includes the following major capital initiatives:

Summary of Major Capital Initiatives

	$000s (Gross Expenditure)						
	2008 Rec. Budget	**2009 Plan**	**2010 Plan**	**2011 Plan**	**2012 Plan**	**Total 2008 -2012**	**Total 2013 -2017**
SOGR Projects (Including Health and Safety and Legislated Projects)							
Barrier Free/Equity	1,002	750	1,000	1,000		3,752	
Emergency Repairs	531	1,482	1,877	1,867	1,901	7,658	7,998
Environmental	873	683	692	702	500	3,450	2,000
Mechanical and Electrical	14,259	15,144	17,643	18,189	14,079	79,314	57,407
Renovations	4,443	3,228	3,143	2,641	3,611	17,066	20,543
Re-roofing	1,892	2,098	3,230	1,945	931	10,096	6,732
Sitework	1,375	1,358	1,529	3,156	1,952	9,370	6,388
Structural / Building Envelope	3,867	3,474	2,936	4,310	5,026	19,613	53,302
Facilites Projects: New and Expanded	2,292	3,326	443			6,061	
IT Related Projects	1,183	1,995	984	116		4,278	
Total	**31,717**	**33,538**	**33,477**	**33,926**	**28,000**	**160,658**	**154,370**
Other Major City Initiatives:							
Old City Hall HVAC	250	685	3,627	5,925		10,487	
Nathan Phillips Square	1,989	9,404	10,482	10,100		31,975	
Yards Consolidation Study	1,000	3,625	2,500	1,875		9,000	
Total	**3,239**	**13,714**	**16,609**	**17,900**	**0**	**51,462**	**0**

The main objective of the recommended 5-Year Capital Plan is to ensure that all corporate facilities are maintained in a state-of-good repair so that all users can enjoy safe and functional environments. Over the next five years, approximately $155 million will be allocated to various project groupings that focus on the types of capital maintenance required – i.e., structural maintenance, re-roofing, sitework etc., to keep assets in a state of good repair and provide for life cycle replacements.

Within this portfolio of projects, mechanical and electrical projects, structural maintenance work and renovations with recommended funding of $79.3 million, $19.6 million and $17.1 million respectively, account for approximately 56% of the total. Information and Technology projects, such as the Capital Asset Management System project, Custodial Workload Management and Scheduling and Business Improvement Project (Plant Maintenance and Project Systems Module implementation) are included with $4.3 million in recommended funding. Another $7.7 million is reserved for unplanned emergency projects and events. The Toronto Social Services facility enhancement/expansion project at 1631 Queen Street in the amount of $1.501 million has also been included in the 5-Year Capital Plan.

Corporate Facilities Refurbishment Program (CFRP)

The recommended 5-Year Capital Plan includes funding of $3.5 million for a Corporate Facilities Refurbishment Program (CFRP), which was developed to address the continuing need to consolidate and relocate City staff at various locations as a result of the City's ongoing organizational restructuring initiatives and changing divisional programmatic and operational requirements. The Corporate Facilities Refurbishment Program will also give priority to the ongoing refurbishment of office space, committee and meeting rooms and public areas in the City's civic office buildings.

This program is required since the Master Accommodation Plan ("MAP") project, which was previously designed to consolidate City office staff and densify office space at City Hall, Metro Hall, the five civic centres, (East York, Etobicoke, North York, Scarborough and York) and other City-owned and leased office space was completed at the end of 2006, leaving no dedicated funding to address office space refurbishment, consolidation and densification needs.

An estimated $3.5 million ($0.239 million in 2008, $0.649 million in 2009, $0.557 million in 2010 and $1.000 million in each 2011 and 2012) is included in the recommended 5-Year Capital Plan to undertake the refurbishment and densification of office space at Metro Hall and the Etobicoke Civic Centre; to complete the Human Resources staff consolidations, including moving staff out of the St. Lawrence Hall; renovation of office space in the City Hall West Tower and 2nd Floor to accommodate the City Clerk's Office staff consolidations at City Hall, and other renovations to provide more office and public meeting room space at various civic centres.

- CFRP Criteria Overview

  The Corporate Facilities Refurbishment Program addresses the need for office space throughout the City. Standard space requirements include between 180 and 220 square feet per person, dependent on the structural design of the building; the demand for space at the particular location; and the specific needs of the work groups. This includes workstations, meeting rooms, common areas like washrooms and serveries, but excludes elevators, stairs and mechanical spaces (i.e., boiler rooms).

- CFRP Eligibility

  Eligibility for CFRP funding is limited to workplace moves or renovations resulting from program expansion or contraction as a result of legislative changes, health & safety directives, and major program reviews that receive the endorsement from City Council for administrative divisions without capital budgets. Funding is not extended to Councillors under this program with the exception of damages resulting from floods or similar extenuating circumstances. Council members with funding can apply to have their office space renovated or upgraded.

In addition to the above Facilities and Real Estate's core portfolio, the Recommended 5-Year Capital Plan incorporates three major capital initiatives totalling $49 million over the five years.

Nathan Phillips Square

In June 2007, Council endorsed the winning design and contract award for revitalization of Nathan Phillips Square. The winning design team will undertake detailed architectural and related design work and prepare construction drawings. This work, anticipated to be completed in the summer of 2008, will be followed by a multi-year phased construction contract award for implementation of the winning design with completion scheduled for 2011.

The overall project cost to implement the revitalization of Nathan Phillips Square was estimated at $40 million. The Recommended 5-Year Capital Plan includes funding in the amount of $31.975 million (in addition to $1.825 million already approved in 2006 and 2007). The remaining $6.200 million relates to various green technology solutions which will be incorporated in the design and will be funded from the recently approved Toronto Sustainable Energy Plan. For example, the Nathan Phillips Square will be revitalized using the Toronto's Green Development Standards and it will also target achieving the Leadership in Energy and Environmental Design (LEED) Gold Certification standard.

The following table presents overall project costs for the revitalization of the Nathan Phillips Square:

Nathan Phillips Square	**$000s**						
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**Total**
Facilities and Real Estate	275	1,550					**1,825**
			1,989	9,404	10,482	10,100	**31,975**
Sustainable Energy Plan			1,000	1,895	2,600	705	**6,200**
Total	**275**	**1,550**	**2,989**	**11,299**	**13.082**	**10,805**	**40,000**
Third Party Funding				7,700	10,100		**17,800**
City Funding	**275**	**1,550**	**2,989**	**3,599**	**2,982**	**10,805**	**22,200**

Of the $31.975 million gross expenditures recommended as a part of the Facilities and Real Estate 5-Year Capital Plan, $17.800 million is subject to securing other sources of funding from private/public partnerships and other orders of government. A fundraising campaign will be developed and coordinated by the newly-created Toronto Office of Partnerships (TOP), once it becomes operational. The Toronto Partnership Office will report on the fundraising strategy in the Fall of 2007.

It should be noted however, that the project implementation schedule is based on the assumption that the City will be able to commit the total project cost at the time of tendering and awarding a construction contract in 2008.

Yard Consolidation Study

In 2001, City Council approved the Yard Consolidation Pilot Project to assess the possibility of rationalizing yard facilities under the jurisdiction of the former Works and Emergency Services. A selected pilot project area contained 12 properties in the West District. Due to prioritization of projects, work halted on the project for several years. It resumed in April 2004 and both service boundaries and methodology have been modified, and it is now anticipated that the work on the Yard Consolidation Study – West District will be completed in the 2nd Quarter of 2008.

Based on the work performed so far it has become apparent that yard consolidation studies in other districts (North, South and East) will also be required. These properties have not been analyzed since amalgamation and it is likely that facilities are underutilized, energy inefficient and in a generally poor state of repair. There are approximately 55 yards and 144 buildings, as presented in the following table:

District	Approximate number of	
	Yards	Buildings
North	17	48
South	23	60
East	15	36
Total	55	144

The Recommended 5-Year Capital Plan includes funding for the yard consolidation studies for the South ($4 million), North ($2.5 million), and East ($2.5 million) districts for a total amount of $9 million. This initiative involves comprehensive facility planning studies and cost-benefit analyses for a future yard system in each district, as well as fact-finding sub-studies such as building condition assessments, designated substances surveys, environmental site assessments, archaeological assessments, and real estate market appraisals for the cost-benefit analysis calculation. A detailed breakdown of various study components (based on the experience gained on the West District Yard Consolidation Study) is provided in the table below:

Study Components	$000s			
	South District	**North District**	**East District**	**Total**
Real Estate Appraisals	172	108	108	387
Environmental (incl. Archaeology)	2,076	1,298	1,298	4,671
Building Condition Assessment	400	250	250	900
Facility Options: Existing Conditions	280	175	175	630
Facility Options: Facility Planning	340	213	213	765
Facility Options: Public Consultation	84	53	53	189
Facility Options: Cost-Benefit Analysis	188	118	118	423
Project Administration (by Consultant)	460	288	288	1,035
Total	**4,000**	**2,500**	**2,500**	**9,000**

It is anticipated that work on the South District segment will commence first (2008), using a similar methodology to the one applied to the West District, followed by work on the North District segment (2009) and the East District segment (2010).

Projected cash flows coincide with the study efforts as presented in the above table only. The implementation phase will involve a number of different measures (such as demolition, building, acquisition and sale of land, etc). Implementation cost estimates will be available once studies are completed.

It should be noted that the West District Yard Consolidation Study was eligible for a grant from the Federation of Canadian Municipalities (FCM) in the amount of $0.297 million. Assuming the similar criteria, there may be a possibility of obtaining additional $1.569 million in funding for the three remaining studies. Facilities and Real Estate will continue to pursue the FCM funding options and will report back in time for the 2009 Capital Budget process.

Old City Hall HVAC Upgrade

Old City Hall has aging mechanical and electrical systems. There is no central air conditioning and the majority of the spaces in the building are cooled by using window mounted conditioners. A centralized refrigeration plant will be installed with Enwave's Deep Lake Water Cooling (DLWC) technology. The construction of this plant is currently in progress. A need to upgrade the existing heating and ventilation systems in order to comply with the present Building Code requirements has also been identified and funding for a feasibility study approved in 2005.

A recent thermographic survey has revealed that, although the existing service is still adequate for the present requirements of the building, it will not satisfy the new proposed HVAC systems, and it will have to be upgraded.

The intent of this initiative is to combine the implementation of the HVAC and electrical systems together to maximize the cost effectiveness in upgrading the building's aging infrastructure. The advantages include cost reduction in labour, ductwork, air distribution equipment etc. One of the challenges to upgrade the buildings' HVAC system is to maintain the use of the courts during normal business hours. As that can be achieved only by working in phases and after hours, the City has to pay a premium and the construction cost increase is significant.

The Recommended 5-Year Capital Plan includes $10.487 million for the upgrades to the Old City Hall HVAC systems, phased over the four year period as follows: $0.250 million in 2008, $0.685 million in 2009, $3.627 million in 2010, and $5.925 million in 2011.

Operating Budget Impact – 5-Year Plan

Incremental Operating Impact Summary

Incremental Operating Budget Impact	2008	2009	2010	2011	2012
2008 Recommended Capital Budget					
Program Costs (net) ($000s)					
Approved Positions					
Debt Service Charges ($000s)	1,044	4,636	3,277	1,433	1,201
Recommended 2009-2012 Capital Plan					
Program Costs (net) ($000s)					
Approved Positions					
Debt Service Charges ($000s)	0	588	3,011	3,947	3,717
Total					
Program Costs (net) ($000s)	0	0	0	0	0
Approved Positions	0	0	0	0	0
Debt Service Charges ($000s)	1,044	5,224	6,288	5,380	4,918

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.

Program Operating Impacts

The Program does not anticipate any incremental operating budget impacts arising from the approval of the 2008 Recommended Capital Budget. However, energy efficiency projects that have been already completed across the City will materialize in energy savings estimated at $1.8 million for 2008. These savings are included as a reduction option in the Facilities and Real Estate's 2008 Operating Budget Submission. Similarly, further energy efficiency savings are expected from continuing energy retrofits of corporate buildings and they will be reported during the 2009 and future year operating budget processes.

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
Expenditures													
Previously Approved		23,492	(2,051)	21,441		1,791	23,232	9,799	4,287	3,257	4,565	1,022	46,162
Change in Scope			250	250			250	685	3,627	5,925			10,487
New			14,282	14,282			14,282	18,676	2,479	491	16		35,944
New w/Future Year													0
Total Expenditure	**0**	**23,492**	**12,481**	**35,973**		**1,791**	**37,764**	**29,160**	**10,393**	**9,673**	**4,581**	**1,022**	**92,593**
Financing													
Debt		22,363	12,431	34,794	**34,128**	187	34,981	26,960	10,393	9,673	4,581	1,022	87,610
Subsidy (SCPI)													0
Prov. Subsidy/Grant								1,200					1,200
Development Charges													0
Other		1,129	50	1,179		1,604	2,783	1,000					3,783
Federal Grants													0
Reserves/Res Funds													0
Total Financing	**0**	**23,492**	**12,481**	**35,973**		**1,791**	**37,764**	**29,160**	**10,393**	**9,673**	**4,581**	**1,022**	**92,593**

Comments / Issues:

- The 2008 Recommended Capital Budget is $37.764 million gross, including $21.441 million in funding for previously approved projects, $14.532 million for new/change in scope projects and $1.791 million to fund projects carried forward from 2007 to 2008. The change in previously approved commitments for 2008 is mainly due to a deferral of the City Hall 2nd Floor Renovations project, as a part of the cost containment measures.

- Approval of the 2008 Recommended Capital Budget will result in future year commitments of $29.160 million for 2009, $10.393 million for 2010, $9.673 million for 2011 and $4.581 million in 2012. Of this total the Old City Hall HVAC Upgrade accounts for $0.250 million in 2008, $0.685 million in 2009, $3.627 million in 2010, and $5.925 million in 2011. The Yard Consolidation Study will result in a commitment of $1.000 million in 2008, $3.625 million in 2009, $2.500 million in 2010 and $1.875 million in 2011.

2008 Recommended Capital Budget

2008 Recommended Capital Budget versus Debt Target

The 2008 debt affordability guideline for Facilities and Real Estate is set at $34.128 million including Nathan Phillips Square.

The recommended debt level of $34.284 million exceeds the Program's debt target by $0.7 million or 2.0%, due to the addition of several new 2008 initiatives: the Yard Consolidation Study, Replacement of the Old City Hall HVAC Upgrade and Toronto's 13 Priority Neighbourhoods projects.

Recommended Capital Budget by Category

State of Good Repair projects represent 53% of the 2008 Recommended Capital Budget. The 2008 Recommended Capital Budget is sufficient to address approximately 9% of the accumulated SOGR backlog. All projects in the Program's core portfolio are based on completed building condition assessments.

Health and Safety projects represent 19% of the 2008 Recommended Capital Budget. The largest Health and Safety projects are repairs and structural work at various leased properties across the City.

Projects with legislative requirements such as designated substances removal and environmental projects at various locations, account for another 8% of the 2008 Recommended Capital Budget's.

Service Improvements and Growth initiatives represent 20% of the 2008 Recommended Capital Budget, the largest of them being the Yard Consolidation Study project.

PART II: ISSUES FOR DISCUSSION

2008 Capital Budget Issues

State of Project Readiness

The 2008 Recommended Capital Budget includes changes to future year cash flow commitments previously approved by Council:

- Although the 2008 cash flow commitment was reduced by $2.051 million, there is an overall increase in previously approved future year commitments of $0.225 million by the end of 2012, mainly as a result of the City Hall 2nd Floor Renovations deferral.

- In addition, in order to use capital funding more effectively, several other projects were deferred from 2007 to 2008 or accelerated from 2008 to 2007, without any change to the overall project cost.

The 2008 Recommended Capital Budget also incorporates projects that were not included in the 2007 Capital Budget and the 2008-2011 Capital Plan previously approved by Council:

- There are four new/change in scope capital projects: Yards Consolidation Study (new) in the amount of $9.000 million, two projects for the Toronto's 13 Priority Neighbourhood initiative at 1652 Keele Street and Father Henry Carr High School in the amount of $3.535 million (new), and Old City Hall HVAC Upgrade (change in scope) in the amount of $10.487 million.

- The Nathan Phillips Square Revitalization Project, previously with a stand-alone budget, has been added to the Facilities and Real Estate's Capital Budget.

- A number of projects considered for implementation in 2008 (at the time of the 2007-2011 Capital Plan approval) have been deferred to future years and replaced with new projects as a result of on-going validation and reprioritization.

All projects in the Program's core portfolio are based on building condition audits. In order to improve its spending rate and reduce the number of required cash flow adjustments, the 2008-2012 Recommended Capital Plan continues to use an alternate approach to capital planning and budgeting – a majority of new projects are multi–year projects with the first year cash flow that includes only design work (estimated at 8%-10% of the total) and the remainder of funds in future year(s). This approach allows for construction work to proceed without any delays in the following year.

Cash flows projected for all new initiatives are based on detailed work schedules and cost estimates as well, indicating that these projects are ready to proceed.

5-Year Capital Plan Issues

New Projects and Future Year Debt Targets

The level of debt recommended for Facilities and Real Estate's 5-Year Capital Plan exceeds the debt targets established for this Program due to the following three initiatives:

- The Yard Consolidation Study is scheduled to commence in 2008 and requires debt funding of $1.000 million in 2008, $ 3.625 million in 2009, $2.500 million 2010 and $1.875 million in 2011.
- The Old City Hall HVAC Upgrade assumes debt funding of $0.250 million in 2008, $0.685 million in 2009, $3.627 million in 2010, and $5.925 million in 2011.
- Similarly, the two service enhancement projects, for Toronto's 13 priority neighbourhoods initiative require debt funding of $0.510 million in 2008 and $0.775 million in 2009.

On an annual basis, the Recommended 5-Year Capital Plan is above the Program's debt targets for the first four years: $0.7 million in 2008, $12.3 million in 2009, $5.0 million in 2010 and 5.4 million in 2011.

Appendix 1

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

Appendix 2

2008 Recommended Cash Flow and Future Year Commitments

Appendix 3
2008 Recommended Capital Projects
with Financing Details

Appendix 4
Reserve / Reserve Fund Review
($000s)

N/A