

# Analyst Briefing Notes

## Administration Committee Review

(November 7, 2005)

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

- The 2005 Approved Capital Budget of \$45.055 million was 71% spent as at September 30, 2005. Actual expenditures by year-end are anticipated to be \$41.391 million, or 92% of the Approved Budget (96% when the City Hall Tower and Hydraulic Elevators Renewal Project is excluded, as per Council's decision to rescope this project), resulting in projected 2005 cash flow funding of \$2.275 million being carried forward into 2006. This expenditure delay is the result of the many challenges staff are faced with in contract negotiations.
- The Revised 2006-2015 Capital Program totals \$236.450 million of which \$178.049 million is projected for the Program's Revised 5-Year Capital Plan, with 2006 cash flow of \$35.792 million, \$35.620 million in 2007, \$35.643 million in 2008, \$35.666 million in 2009 and \$35.328 million in 2010.
- The 2006 Proposed Capital Budget including previously approved commitments requires new 2006 cash flow of \$35.792 million gross with debt funding of \$35.792 million. This cash flow combined with carry forward funding of \$2.275 million for 2005 projects brings the total 2006 Proposed Capital Budget to \$38.067 million gross, of which \$38.067 million is funded by debt.
- 64% of the 2006 proposed new cash flow is allocated to Health and Safety projects at \$22.533 million; 19% to Legislative or contractually required projects at \$6.980 million; 6% to State-of-Good-Repair projects at \$2.223 million and 11% to Service Improvement projects at \$4.056 million.
- The Revised 5-Year Plan incorporates essential life cycle replacements and addresses the existing project backlog. Currently, the corporate facilities portfolio has an estimated \$99 million in essential backlog projects. With the completion of the corporate audits in 2006, the essential backlog could increase to \$103 million. Within 5 years, at the current funding level, Facilities and Real Estate will reduce this backlog by approximately \$72 million. The backlog balance is expected to be eliminated by 2016, subject to the approved funding levels and the results of future building condition assessments. The Revised 5-Year Capital Plan annual requirements for the existing Facilities and Real Estate's building portfolio are in accordance with the City's debt affordability guidelines in all years.
- The 2006 Proposed Capital Budget includes additional funding of \$0.150 million for emergency repair projects, plus \$0.642 million for state of good repair projects for a total amount of \$0.792 million, required by Toronto Social Services and Toronto Public Health. It is proposed that these state of good repair maintenance budgets be transferred and consolidated within the Facilities and Real Estate in anticipation of improved efficiencies and avoidance of duplication of effort between Programs. This transfer will be used as a pilot project in order to assess potential benefits from an integrated capital and operating building maintenance program City wide in the Facilities and Real Estate Capital Program.
- During the 2004 and 2005 budget processes, City Council approved funding for Facilities and Real Estate to lead a design competition to revitalize Nathan Phillips Square. A proposed framework for the competition and capital funding forecast for future

implementation of a selected design are the subject of a separate report to be presented to Administration Committee on November 7, 2005. Funding in the amount of \$0.550 million is being proposed for 2006 in a separate budget to invite proposals to revitalize the Square. The balance of the estimated costs of the Project totalling \$39.450 million will be subject to review in 2007 Budget process, after the final design is selected and approved by Council.

- The 2007-2010 cash flow projections of \$35.620 million in 2007, \$35.643 million in 2008, \$35.666 million in 2009 and \$35.328 million in 2010 for Facilities and Real Estate, will be referred to the Deputy City Manager & Chief Financial Officer for review, in consultation with appropriate staff, and report back to the Budget Advisory Committee in the Spring of 2006 on a recommended Firm 5-Year Capital Plan within Council's approved debt affordability limits.

### **Recommendations**

It is recommended that:

1. the 2006-2015 Facilities and Real Estate capital program request with a total 10-year project cost of \$204.689 million be received;
2. the 2006 Proposed Capital Budget for Facilities and Real Estate with a total project cost of \$38.060 million and a 2006 cash flow of \$38.067 million and future year commitments of \$31.010 million be approved. The 2006 Proposed Capital Budget consists of the following:
  - a) New Cash Flow Funding for:
    - i) 98 new sub-projects with a 2006 total project cost of \$38.060 million that requires cash flow of \$17.283 million in 2006 and future year commitments of \$11.736 million in 2007, \$1.378 million in 2008, \$0.545 million in 2009 and \$0.545million in 2010;
    - ii) 29 previously approved sub-projects with a 2006 cash flow of \$18.509 million and future year commitments of \$9.623 million in 2007; \$6.021 million in 2008, and \$1.162 million in 2009; and
  - b) 2006 approved cash flow for 3 previously approved sub-projects with carry forward funding from 2005 into 2006 totalling \$2.275 million;
3. new debt service costs of \$1.074 million in 2006 and incremental costs of \$4.578 million in 2007, \$2.572 million in 2008, \$0.865 million in 2009 and \$0.204 million in 2010 resulting from the approval of the 2006 Proposed Capital Budget, be approved for inclusion in the 2006 and future year operating budgets;
4. the sub-projects for Capital Emergencies be approved with funding of \$1.394 million for 2006 with the following conditions:
  - i) projects funded must be demonstrable emergencies presenting a safety or security hazard, or impacting current operations, with a potential for significant damage resulting from the continuation of the problem identified;
  - ii) all projects charged to the fund must be reported to Finance staff to ensure structures are provided to ensure accountability;
  - iii) use of the funding must be reported in all variance reports and to Budget Advisory Committee at the time of consideration of the 2006 capital budget; and
  - iv) any unspent balance at year-end cannot be carried forward;
5. the revised cash flow projections of \$35.620 million in 2007, \$35.643 million in 2008, \$35.666 million in 2009 and \$35.328 million in 2010 for Facilities and Real Estate, be referred to the Deputy City Manager & Chief Financial Officer for review, in consultation with appropriate staff, and report back to the Budget Advisory Committee in the Spring of 2006 on a recommended Firm 5-Year Capital Plan within Council's approved debt affordability limits;

6. the Chief Corporate Officer to report back to the Administration Committee and Budget Advisory Committee prior to the 2007 Budget process on the outcome of the Nathan Phillips Square design competition and revised project cost estimates.

### 2005 Capital Variance Review

2005 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2005 Approved	Actuals as of Sept. 30 Y-T-D (3rd Qtr Variance)		Projected Actuals to Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
45,055	31,929	71	41,391	92	3,664

#### Comments / Issues:

- Facilities and Real Estate is projecting a year end spending rate of 92% or \$41.391 million for approved projects as of September 30, 2005. This spending rate represents an improvement over the 84% achieved in 2004.
- The total projected unspent balance of \$3.664 million at the end of 2005 will carry forward from 2005 into 2006.
- Out of that total, \$1.795 million is related to the City Hall Tower and Hydraulic Elevators Renewal Project. Based on Council's direction, the tender for this project will be rescoped to include elevators in other buildings that require similar type of maintenance. Council also approved that the project is to be excluded from the Facilities and Real Estate year-end spending rate for 2005. If this project is excluded from the calculation, the projected year-end spending rate would be 96%.
- The remainder of the projected year-end unspent balance is attributable to five projects with a combined unspent balance of \$1.869 million and it is mainly the result of delays in contract negotiations and project management.
- The 2006 Proposed Capital Budget anticipated that funding of \$2.275 million (including the City Hall Tower and Hydraulic Elevators Renewal Project) will be carried forward from 2005 to 2006. The difference of \$1.389 million in estimated carry forward funding is attributed to the expected achievement of a lower cash flow spending rate than that projected as at September 30<sup>th</sup>, 2005.
- The 2006 Proposed Capital Budget does not reflect any subsequent changes to funding being carried forward from 2005 to 2006 based on the unspent cashflow balance projected as at September 30<sup>th</sup>, 2005. Adjustments to carryforward funding will be reported through to the Budget Advisory Committee during its review of the 2006 Proposed Capital Budget.

**Gross Expenditures Proposed 5-Year Capital Plan**

The chart displays the gross expenditures proposed for a 5-year capital plan, comparing actuals for 2004 and 2005 against the proposed plan for 2006 through 2010. The y-axis represents the amount in thousands of dollars (\$ 000), ranging from 0 to 60,000. The x-axis lists the years and their corresponding status (Actuals or Plan). A green bar represents the 'Debt' component, and a black line represents the 'Program Debt Guideline'.

Year	Category	Debt (\$ 000)	Program Debt Guideline (\$ 000)
2004	Actuals	36,000	48,000
2005	Actuals	31,000	41,000
2006	Plan	35,000	35,000
2007	Plan	34,000	34,000
2008	Plan	34,000	34,000
2009	Plan	34,000	34,000
2010	Plan	34,000	34,000

	5 Year Plan							2006-2010
	2004	2005	2006	2007	2008	2009	2010	
<b>Gross Expenditures:</b>								
Budget (Excludng 1-Yr. Carry/Fwd)**	34,570	38,432	35,792	35,620	35,643	35,666	35,328	178,049
1-Yr Carry/Fwd Gross (Reference only)	21,190	6,623	2,275					
Sub-Total Gross Exp. Including 1-Yr. Carry/Fwd	55,760	45,055	38,067					
Actuals	48,191	41,391						
<b>Financing:</b>								
Debt*	34,570	34,655	35,792	35,620	35,643	35,666	35,328	178,049
Debt Actuals (including 1-Yr Carry/Fwd)	36,469	31,635						
<b>Program Debt Target**</b>			<b>35,792</b>	<b>35,000</b>	<b>35,000</b>	<b>35,000</b>	<b>35,000</b>	<b>175,792</b>
Other Financing Sources:								
Reserves/Reserve Funds			0	0	0	0	0	0
Development Charges			0	0	0	0	0	0
Federal			0	0	0	0	0	0
Provincial			0	0	0	0	0	0
Other Revenue			0	0	0	0	0	0
<b>By Category:</b>								
Health & Safety			22,533	15,096	19,885	22,650	23,286	103,450
Legislative			6,980	10,120	10,001	9,151	7,685	43,937
SOGR			2,223	4,613	3,710	2,712	2,875	16,133
Service Improvement			4,056	5,791	2,047	1,121	226	13,241
Growth Related						32	1,256	1,288
Yearly SOGR Backlog Estimate (not addressed by current year projects)			0	2,000	2,000	2,000	2,000	
Accumulated Backlog Estimate (end of year)			0	2,000	4,000	6,000	8,000	

\*\* The Revised 5-Year Capital Plan includes SOGR capital maintenance projects transferred from Toronto Social Services and Toronto Public Health. The program's future years debt target does not reflect this transfer, since it is anticipated that more comprehensive proposal will be prepared to include other programs City wide in the Facilities and Real Estate Capital Program.

- Facilities and Real Estate is responsible for the maintenance of 275 buildings identified as corporate facilities, valued at approximately \$2.08 billion. The Revised 5-Year Capital Plan is based on the assessments of actual conditions of facilities. By the end of 2005, about 226 buildings or 82% of the Corporate Service facilities will be audited. The remaining 18% of audits will be completed by the end of 2006.
- The current project groupings focus on the types of maintenance required – i.e., structural maintenance, re-roofing, etc., to keep assets in a state of good repair, thereby allowing the program to identify resource requirements.
- The current backlog of essential projects is \$99 million. With the completion of the condition assessments for the remaining 18% of the facilities, the backlog is expected to increase to \$103 million. Within 5 years, at the current funding level, Facilities and Real Estate will reduce this backlog by approximately \$72 million, or \$14 million per year. The backlog balance is expected to be eliminated by 2016, subject to the approved funding levels and the results of future building condition assessments.
- In addition to addressing existing essential backlog projects, the Revised 5-Year Capital Plan includes essential life cycle replacements in an average amount of \$21 million per year over the 2006-2010 period. This represents 1% of the total asset value and it falls short of the industry standard for the capital maintenance of 2%-4% of the total asset value per year. Alternatively, if Facilities and Real Estate were to comply with industry standard for capital maintenance of minimum 2%, the Revised 5-Year Capital Plan requirements would not be sufficient to address any of the existing essential backlog projects.
- The 2006 Proposed Capital Budget is in accordance with the affordability guidelines for 2006. The Revised 5-Year Plan is over the current affordability guidelines by \$0.620 million (1.8%) in 2007, \$0.643 million (1.8%) in 2008, \$0.666 million (1.9%) in 2009 and \$0.328 million (0.9%) in 2010. This is because the Revised 5-Year Capital Plan includes four emergency and state of good repair projects, funding for which was requested within the Toronto Social Services and Toronto Public Health budgets. It is proposed that these SOGR capital maintenance budgets be transferred and consolidated within the Facilities and Real Estate in order to achieve improved efficiencies and avoidance of duplication of effort between Programs. This transfer will be used as a pilot project in order to assess potential benefits from an integrated capital and operating building maintenance program City wide in the Facilities and Real Estate Capital Program.
- The Program's 2006 debt affordability target is set to reflect this transfer. Future years' targets will be subject to review, based on a more comprehensive assessment of this issue at a later date. Otherwise, the Revised 5-Year Capital Plan would be in accordance with the City's debt affordability guidelines in all years.
- The Chief Corporate Officer will report back on outcome of the pilot project prior to the 2007 Budget process, identifying costs and benefits of transferring SOGR budgets and responsibilities to Facilities and Real Estate.
- The 2007-2010 cash flow projections of \$35.620 million in 2007, \$35.643 million in 2008, \$35.666 million in 2009 and \$35.328 million in 2010 for Facilities and Real Estate, will be referred to the Deputy City Manager & Chief Financial Officer for review, in consultation with



appropriate staff, and report back to the Budget Advisory Committee in the Spring of 2006 on a recommended Firm 5-Year Capital Plan within Council's approved debt affordability limits.

- The Program advises that projects included in the Revised 5-Year Capital Plan are ready to proceed as project costs and scope are validated on an on-going basis and projects are prioritized based on audits completed to date.

## 2006 Capital Budget Submission Summary (\$000)

2006 Capital Projects		Total Project Cost		2004 Carry Forward		2006 Previous Commitment		2006 New		Total 2006 Request (w/o 2005 C/Fwd)		2005 Carry Forward	
Project / Sub-Project Name	Cat	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources
		1	2	3	4	5	6	7	8	9	10	11	12
<b>Carryforwards:</b>													
2700 Eglinton Ave W-YCC - Re-roofing	1	192	192							0	0	192	192
100 Queen St W - Tower & Hydraulic Elevator Renewal	2	1,795	1,795							0	0	1,795	1,795
60 Queen St W - Phased A/C Syst & Elec. Upgrades	2	288	288							0	0	288	288
<b>Sub-Total</b>				0	0	0	0	0	0	0	0	2,275	2,275
<b>Previously Approved:</b>													
703 Don mills Replacement of windows - cash flowed	1	547	547			438	438			438	438	0	0
100 Queen St W - NPS Renew Precast pavers & pedestals	1	108	108			108	108			108	108		
100 Queen St W - Elevated walkway repairs	1	615	615			0	0			0	0		
Master Accommodation Plan (MAP)	1	6,747	6,747			6,747	6,747			6,747	6,747		
Various - BIP Proj Stage 2, Phases 1 to 4	4	4,030	4,030			1,200	1,200			1,200	1,200		
Various locations - Asbestos maintenance 2002-2005	1	69	69			69	69			69	69		
100 Queen St W - City Hall PCB Remediation	2	109	109			109	109			109	109		
Various Locations - Retrofit of all City buildings	1	825	825			660	660			660	660		
55 John St - Re-roofing	1	711	711			362	362			362	362		
40 College St -Re-roofing - Phase 1 & 2	1	665	665			542	542			542	542		
2 Civic Centre Crt - Concrete repairs	1	666	666			533	533			533	533		
843 Eastern Ave. Reconstruction of struc.flr slab	1	2,549	2,549			2,266	2,266			2,266	2,266		
55 John St - Replace Spandrel panels	1	49	49			49	49			49	49		
60 Queen St W - Phased A/ C Syst & Elec. Upgrades	2	631	631			631	631			631	631		
150 Borough Dr.-Repl. Re-heat coils - Phase I, II,III	2	338	338			270	270			270	270		
Various Locations - Upgrade building automation system	4	1,997	1,997			918	918			918	918		
100 Queen St W - Tower & Hydraulic Elevator Renewal	2	1,006	1,006			1,006	1,006			1,006	1,006		
Various Location - Mech and Elec Component Renewal	1	377	377			377	377			377	377		
60 Queen St W - Phased A/C Syst & Elec. Upgrades	2	8,972	8,972			212	212			212	212		
18 Dyas Rd - Replace heat pumps on floors 2 & 3	1	218	218			218	218			218	218		
100 Queen St W - Replace mixing boxes	1	334	334			334	334			334	334		
55 John St - New Web-based Energy info System	4	30	30			30	30			30	30		
1530 Markham Rd - Garage Intermediate Slab Repair	1	210	210			210	210			210	210		
Various Locations - Global Corporate Security System	1	200	200			200	200			200	200		
100 Queen St. W -Main Fl Reno-needs ass'05 impl.'06	4	2,292	2,292			0	0			0	0		
Various locations - Emerg Capital Repairs 2005-2006	1	443	443			443	443			443	443		
Various Locations - Mechanical and Electrical	2	267	267			267	267			267	267		
Various locations - Asbestos maintenance 2002-2005	1	249	249			249	249			249	249		
Various Locations - Property Inventory & Benchmarking	1	61	61			61	61			61	61		
<b>Sub Total</b>		<b>35,315</b>	<b>35,315</b>	<b>0</b>	<b>0</b>	<b>18,509</b>	<b>18,509</b>	<b>0</b>	<b>0</b>	<b>18,509</b>	<b>18,509</b>	<b>0</b>	<b>0</b>

## 2006 Capital Budget Submission Summary (Cont.)

2006 Capital Projects		Total Project Cost		2004 Carry Forward	2006 Previous Commitment	2006 New		Total 2006 Request (w/o 2005 C/Fwd)		2005 Carry Forward			
Project / Sub-Project Name	Cat	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources		
		1	2	3	4	5	6	7	8	9	10	11	12
New and Change in Scope Projects													
Master Accommodation Plan (MAP)	1	(2,930)	(2,930)					(2,930)	(2,930)	(2,930)	(2,930)		
Various Locations - Asset Inventory Program -Phase 2	4	89	89					89	89	89	89		
92 Front St E-St Lawrence Mkt N Redevelopment Study	4	186	186					186	186	186	186		
Various Corp Svs Facilities- Yards Study	4	542	542					542	542	542	542		
Various Locations - West District study	4	240	240					240	240	240	240		
Various Locations - Asbestos Maintenance 2002-2006	1	250	250					250	250	250	250		
Various Locations - Enviromental Emerg Remediation	1	200	200					200	200	200	200		
Various Locations - Essential Retrofit Work B/free	2	1,074	1,074					856	856	856	856		
111 King St E - Renew All Roofing and Flashing	3	52	52					52	52	52	52		
150 Borough Dr. - Repl. Exp. Jt. At East Upper Entrance	1	177	177					177	177	177	177		
Various Locations - Carry out Tech. Audits. Corp Fac	1	510	510					510	510	510	510		
Various Locations-Repair Projects @ Leased Properties	1	600	600					600	600	600	600		
Various Locations - Struct. Projects @CF	1	600	600					600	600	600	600		
40 College St-Repl Soffits at Perimeter of Building	1	303	303					303	303	303	303		
1652 Keele St - Remedial Works Req'd for Occupancy	1	144	144					144	144	144	144		
55 John St - Resecure Cladding	1	907	907					90	90	90	90		
91 Front St E - Rebuild Compactor Concrete Slab etc.	1	60	60					60	60	60	60		
91 Front St E - Detailed Construction Engineering etc.	1	66	66					66	66	66	66		
100 Queen St W - Replace A/C Unit #40	2	244	244					24	24	24	24		
100 Queen St W-Repl. Washrm Exhaust & Misc.Exhaust ET	2	299	299					299	299	299	299		
91 Front St E- Replace A/C #2 East Side Interior	2	1,151	1,151					102	102	102	102		
23 Grange Rd-Repl.System#4-General 10,500CFM w A/C	4	378	378					37	37	37	37		
23 Grange Rd - Repl. System#3 -Auditorium 2, 000C	4	110	110					11	11	11	11		
95 Lavinia Ave- Replace A/C #1,2	2	68	68					68	68	68	68		
5100 Yonge St-Repl. AHU F7/F8,3way Valves & Control	2	1,183	1,183					114	114	114	114		
5100 Yonge St-Repl. AHU F1, F2, F9, 3way Valves & Control	2	472	472					46	46	46	46		
91 Front St E- Replace overhead door heating units	2	176	176					176	176	176	176		
91 Front St E-Replace Sump Pumps & Cast Iron Pipes	2	167	167					167	167	167	167		
2 Civic CentreCrt- Replace CFC Chiller	2	876	876					89	89	89	89		
150 Disco Rd-Repl.Rooftop Make-up Air units -Garage	2	323	323					32	32	32	32		
150 Disco Rd-Replace Exhaust Fans	2	184	184					184	184	184	184		
2 Civic Centre Crt- Repl. Garage Supply Ventilation Syst	2	433	433					43	43	43	43		
5100 Yonge St-Replace Lighting In Iwr Ivl South Corrid	2	176	176					176	176	176	176		
55 John St-Replace Cables & Motors on Elevators	2	101	101					101	101	101	101		
5100 Yonge St- Repl.AHU F3& F4, 3way Valves & Controls	2	701	701					70	70	70	70		
100 Queen St. W -Replace R-fans #7,11,13,14	1	338	338					30	30	30	30		
150 Borough Dr-Replace Re-heat Coils- Phase I, II, III	2	352	352					352	352	352	352		
Various Locations - Mechanical Repair Proj@Corp Fac.	2	900	900					900	900	900	900		
86 Ingram Dr- Replace Off. Area Make-up AHU	1	92	92					92	92	92	92		

## 2006 Capital Budget Submission Summary (Cont.)

2006 Capital Projects		Total Project Cost		2004 Carry Forward		2006 Previous Commitment		2006 New		Total 2006 Request (w/o 2005 C/Fwd)		2005 Carry Forward	
Project / Sub-Project Name	Cat	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources
		1	2	3	4	5	6	7	8	9	10	11	12
100 Queen St. W- Council Chamber HVAC	1	1,035	1,035					98	98	98	98		
786 Dundas St E - Replace CO Extraction System	1	82	82					82	82	82	82		
Various Locations - Facilities Svcs - SOGR	1	245	245					245	245	245	245		
Various Loc- Mech. And Elec Component Renewal	4	840	840					669	669	669	669		
Various Residential Bldgs-Mech Projects@Leased Properties	2	200	200					200	200	200	200		
5100 Yonge St-Replace U/ground Elect Supp & Fire Alarm	1	203	203					203	203	203	203		
242 Milner Ave-Replace Fire Alarm Protection System	1	166	166					166	166	166	166		
40 Norfinch Dr-Renew Fire Alarm System	1	143	143					143	143	143	143		
50 Upjohn Rd-Renew Fire Alarm System	1	120	120					120	120	120	120		
5100 Yonge St-Replace U/ground Elec Power Feed	1	595	595					53	53	53	53		
5100 Yonge St - Replace Walkway Lighting Fixtures...	1	224	224					20	20	20	20		
5100 Yonge St-Replace Computer & Software for Sign etc.	1	50	50					50	50	50	50		
5100 Yonge St- Repl. Water Piping & Computer w/software	3	96	96					96	96	96	96		
2700 Eglinton Ave W-RE&RE Roof HVAC units	1	505	505					505	505	505	505		
18 Dyas Rd- Remove U/ground Fuel Tank& Soil Remediation	3	89	89					89	89	89	89		
703 Don Mills Rd - Alternate Power Modifications	3	359	359					359	359	359	359		
101 Coxwell Ave-Renew Fire Alarm System	1	96	96					96	96	96	96		
40 College St-Replace Battery Packs for UPS	1	132	132					132	132	132	132		
160 Duncan Mills Rd-Inst New Perimeter Heating Cont Sys	1	114	114					114	114	114	114		
40 College St-Halon Sys Replacement in Computer Rm	1	341	341					341	341	341	341		
40 College St-Eng Study for New UPS& Generator	1	50	50					50	50	50	50		
255 Dundas St W - Renew Fire Alarm & Security System	1	286	286					286	286	286	286		
30 Eglinton Ave-Replace Fire Alarm Protection System	1	192	192					192	192	192	192		
1652 Keele St- Build New Addition& Inst New Elevator	3	607	607					60	60	60	60		
58 Cecil St-Elevator Hydraulic Cylinder Replacement	1	50	50					50	50	50	50		
765 Queen St E-Elevator Hydraulic Cylinder Replacement	1	65	65					65	65	65	65		
91 Front St E-Elevator Hydraulic Cylinder Replacement	2	156	156					156	156	156	156		
55 John St-Replace complete Fire Alarm System	1	2,003	2,003					1,792	1,792	1,792	1,792		
55 John St-Deep Lake Water Cooling - Phases 2 thru 6	1	2,725	2,725					545	545	545	545		
5100 Yonge St-Replace Vestibule Heating System	2	154	154					154	154	154	154		
5100 Yonge St-Air Balance All Air Systems	2	107	107					107	107	107	107		
92 Front St E- Replace Power Receptacles-Farmers Mkt	2	69	69					69	69	69	69		
157 King St. E-Replace H.W. Boiler System	3	235	235					235	235	235	235		
399 The West Mall-Replace High Voltage Cable	1	133	133					133	133	133	133		
843 Eastern Ave-Replace 12 Air Handling Units etc	1	478	478					52	52	52	52		
399 The West Mall-Replace Cooling Towers	1	347	347					29	29	29	29		
86 Ingram Dr-Install Tailpipe Exhaust System-Garage	1	124	124					124	124	124	124		
843 Eastern Ave- Replacement of Existing Ventilation etc	1	440	440					50	50	50	50		
Various Locations- Renew Ext Signage of TPS etc	3	148	148					30	30	30	30		
5100 Yonge St-Retrofit Emerg Intercom& Bunker Control	1	102	102					102	102	102	102		
5100 Yonge St-Const Enclosure at Refuse Containers	1	96	96					96	96	96	96		

## 2006 Capital Budget Submission Summary (Cont.)

2006 Capital Projects		Total Project Cost		2004 Carry Forward		2006 Previous Commitment		2006 New		Total 2006 Request (w/o 2005 C/Fwd)		2005 Carry Forward	
Project / Sub-Project Name	Cat	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources
		1	2	3	4	5	6	7	8	9	10	11	12
5100 Yonge St-Repair&Repl. Concrete &Granite Pavement	3	583	583					36	36	36	36		
5100 Yonge St-Repair & Recoat Reflective Pool	3	51	51					51	51	51	51		
5100 Yonge St-Refurbish Fountain & Water Course	3	186	186					186	186	186	186		
40 College St- Repairs to Accessibility Ramp& Pavers	1	276	276					276	276	276	276		
157 King St. E-Repl. Worn Carpeting,Stairs&Common Ares	1	72	72					72	72	72	72		
5100 Yonge St- Carpet Replacement	1	439	439					439	439	439	439		
Various Locations-Security Audits & Risk Assess-Ph3	1	156	156					156	156	156	156		
150 Borough Dr-Install Window Film to Reduce Glare	1	115	115					115	115	115	115		
40 College St-Repair Water Damaged Drywall in Atrium	3	156	156					156	156	156	156		
Various Locations-Global Corporate Security Program	1	1,000	1,000					800	800	800	800		
5100 Yonge St-Renew Interior Finishes-Office Area	3	81	81					81	81	81	81		
150 Borough Dr-Replacement of Carpeting-Council Chamber	1	131	131					131	131	131	131		
86 Blake St-Construct Main Entrance Vestibule 30 Additi	4	168	168					134	134	134	134		
Various Locations-Emerg Capital Repairs 2005-2006	1	1,534	1,534					801	801	801	801		
Various Locations-Asbestos Maintenance 2002-2005	1	(249)	(249)					(249)	(249)	(249)	(249)		
<b>Sub Total</b>		<b>30,695</b>	<b>30,695</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,491</b>	<b>16,491</b>	<b>16,491</b>	<b>16,491</b>	<b>0</b>	<b>0</b>
<b>Total 2006</b>		<b>66,010</b>	<b>66,010</b>	<b>0</b>	<b>0</b>	<b>18,509</b>	<b>18,509</b>	<b>16,491</b>	<b>16,491</b>	<b>35,000</b>	<b>35,000</b>	<b>2,275</b>	<b>2,275</b>

\*Category Index: (1) Health & Safety; (2) Legislated/ City Policy, (3) SOGR, (4) Service Improvement/Enhancement, (5) Growth Related

## 2006 Proposed Capital Budget Changes (\$000)

		2006 Requested Cash Flow		Proposed Changes			2006 Proposed Cash Flow	
Project/Sub Project Name	Cat.	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Comments / Issues	Gross	Debt/ Internal Sources
2005 Carryforwards Other Carry Forwards (details on previous page)		2,275	2,275				2,275	2,275
Sub Total		2,275	2,275	0	0		2,275	2,275
2004 Carryforwards Other Carry Forwards (details on previous page)								
Sub Total		0	0	0	0		0	0
2006 Previously Approved Commitments Other Previously Approved (details on previous page)		18,509	18,509				18,509	18,509
Sub Total		18,509	18,509	0	0		18,509	18,509
New Projects Other New (details on previous page)		16,491	16,491				16,491	16,491
Transfer of SOGR budgets from TSP and TPH				792	792	Transfer of SOGR projects to Facilities and Real Estate in order to achieve economies of scale and consistent maintenance standards.	792	792
Sub Total New Projects		16,491	16,491	0	0		17,283	17,283
Total 2006 Proposed (Incl. 2005 C/Fwd)		37,275	37,275	0	0		38,067	38,067
Less 2005 Carry Forwards		(2,275)	(2,275)	0	0		(2,275)	(2,275)
Total 2006 Proposed (Excl. 2005 C/Fwd)		35,000	35,000	0	0		35,792	35,792

### Total 2006 Proposed Cash Flow & Future Year Commitments (\$000s)

	2004 & Prior Year Carry Forward	2006 Previous Commitments	2006 New Proposed	2006 Total Cash Flow Proposed	2006 Guidelines	2005 Carry Forward	Total 2006 Cash Flow (Incl 2005 C/Fwd)	2007	2008	2009	2010	2011- 2015	Total Cost
<b>Expenditures</b>													
Previously Approved		18,509		18,509	35,792	2,275	20,784	9,623	6,021	1,162			37,590
Change in Scope			(3,179)	(3,179)			(3,179)						(3,179)
New			20,462	20,462			20,462	11,736	1,378	545	545		34,666
New w/Future Year				0			0						0
<b>Total Expenditure</b>	<b>0</b>	<b>18,509</b>	<b>17,283</b>	<b>35,792</b>	<b>35,792</b>	<b>2,275</b>	<b>38,067</b>	<b>21,359</b>	<b>7,399</b>	<b>1,707</b>	<b>545</b>	<b>0</b>	<b>69,077</b>
<b>Financing</b>													
Debt		18,509	17,283	35,792	35,792	2,275	38,067	21,359	7,399	1,707	545		69,077
Subsidy (SCPI)													0
Prov. Subsidy/Grant													0
Development Charges													0
Other													0
Federal Grants													0
Reserves/Res Funds													0
<b>Total Financing</b>	<b>0</b>	<b>18,509</b>	<b>17,283</b>	<b>35,792</b>	<b>35,792</b>	<b>2,275</b>	<b>38,067</b>	<b>21,359</b>	<b>7,399</b>	<b>1,707</b>	<b>545</b>	<b>0</b>	<b>69,077</b>

#### Comments / Issues:

- The 2006 Proposed Capital Budget is \$38.067 million gross, including \$18.509 million in funding for previously approved commitments, \$17.283 million for new/change in scope projects and \$2.275 million for projects carried forward from 2005 to 2006.
- Approval of the 2006 Proposed Capital Budget will result in future year commitments of \$21.359 million for 2007, \$7.399 million for 2008, \$1.707 million in 2009 and \$0.545 million in 2010. Of this total the Old City Hall Mechanical/Electrical project represents \$0.212 million in 2006, \$3.542 million in 2007, \$4.352 million in 2008 and \$0.866 million in 2009. The conversion of existing refrigerant chillers to Deep Lake Water Cooling (DLWC) technology at Metro Hall accounts for \$0.545 million in each year over the 2006-2010 period. The Business Integration Project represents a further \$1.200 million in 2006, \$1.480 million in 2007, \$1.148 million in 2008 and \$0.202 million in 2009.

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

<b>Incremental Operating Budget Impact</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Program Costs (net) (\$000s)	0.000	0.000			
Debt Service Charges (\$000s)	1,074	4,578	2,571	865	204
Approved Positions	0.000				

**Program Incremental Operating Costs**

The program does not anticipate any incremental operating budget impacts arising from the approval of the 2006 Proposed Capital Budget.

**Debt Service Cost**

The 2006 Proposed Capital Budget will result in new debt service costs of \$1.074 million in 2006 and the incremental cost of \$4.578 million in 2007, \$2.572 million in 2008, \$0.865 million in 2009 and \$0.204 million in 2010.

*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.*



**PART II: ISSUES FOR DISCUSSION****2006 Issues****2006 Proposed Capital Budget versus Guideline**

The 2006 debt affordability guideline for Facilities and Real Estate was set at \$35.000 million. The 2006 Proposed Capital Budget is in accordance with the affordability guidelines for 2006. For the existing Facilities and Real Estate's building portfolio, the Revised 5-Year Capital Plan requirements from 2007-2010 are also within present debt affordability guidelines of \$35.000 million.

The Revised 5-Year Capital Plan includes four additional emergency and state of good repair projects for which funding was requested in the Toronto Social Services and Toronto Public Health budgets. It is proposed that these SOGR capital maintenance budgets be transferred and consolidated within the Facilities and Real Estate in anticipation of improved efficiencies and avoidance of duplication of effort between Programs. The Program's 2006 debt affordability target is set to reflect this transfer. Future years' targets will be subject to review, since this transfer is to be used as a pilot project. Accordingly, the Revised 5-Year Plan currently exceeds affordability guidelines by \$0.620 million (1.8%) in 2007, \$0.643 million (1.8%) in 2008, \$0.666 million (1.9%) in 2009 and \$0.328 million (0.9%) in 2010. In order to assess potential benefits from an integrated capital and operating building maintenance program City wide, a comprehensive assessment of this issue will be prepared by the Chief Corporate Officer prior to the 2007 Budget process.

**5 Year Capital Plan Overview**

Facilities and Real Estate is responsible for the maintenance of 275 buildings identified as corporate facilities, valued at approximately \$2.08 billion. The Revised 5-Year Capital Plan is based on the assessments of actual conditions of facilities. By the end of 2005, 82% of the Corporate Service facilities will be audited. The remaining 18% of audits will be completed by 2006. The 5 year capital plan includes essential life cycle replacements and also addresses existing project backlog.

The current backlog of essential projects is \$99 million. With the completion of the condition assessments for the remaining 18% of the facilities, the backlog is expected to increase to \$103 million. Within 5 years, at the current funding level, Facilities and Real Estate will reduce this backlog by approximately \$72 million. The backlog balance is expected to be eliminated by 2016, subject to the approved funding levels and the results of future building condition assessments.

A number of projects had to be deferred to the future years in order to achieve debt affordability guidelines. The Revised 5-Year Plan and changes from the original 2006 Facilities and Real Estate Capital Budget Submission are shown on page 18.

The Program advises that projects included in the Revised 5-Year Capital Plan are ready to proceed as project costs and scope are validated on an on-going basis and projects are prioritized based on audits completed to date.

**Capacity**

The 2005 Approved Capital Budget was \$45.055 million gross, including 2004 carry forward funding of \$6.623 million. In its September 30, 2005 Variance Report, Facilities and Real Estate projected a year-end spending rate of 92%, or \$41.391 million.

Out of the total projected unspent balance of \$3.664 million at the end of 2005, \$1.795 million is related to the City Hall Tower and Hydraulic Elevators Renewal Project. Based on Council's direction, the tender for this project will be rescope to include elevators in other buildings that require similar types of maintenance. Council also approved that the project is to be excluded from the Facilities and Real Estate year-end spending rate for 2005. If this project is excluded from the calculation, the projected year-end spending rate would be 96%.

**Backlog of Projects – Unmet Needs**

Facilities and Real Estate is responsible for the maintenance of 275 buildings identified as corporate facilities, valued at approximately \$2.08 billion. Of this number, 82% will undergo building audits by the end of 2005, to ensure that required maintenance is documented, planned and addressed through the Capital Budget. The remainder of the buildings will be audited by the end of 2006. Once all audits have been completed, Facilities and Real Estate will be able to develop a macro overview of the state-of-good-repair needs on a 10 year basis for its entire inventory of assets (excluding the future growth and new legislative requirements).

The current backlog of essential projects is \$98.800 million. With the completion of the condition assessments for the remaining 18% of the facilities, the backlog is expected to increase to \$103 million. The 2006 Proposed Capital Budget includes an amount of \$12.257 million to address 35 essential backlog projects.

It should be noted that once the building audits are completed, the backlog may increase substantially should Facilities and Real Estate's capital funding remain at current or lower debt levels.

In addition, the Program's ability to address backlog projects due to the following:

- Transfer of responsibility for capital maintenance of Mel Lastman Square from Parks, Forestry and Recreation to Facilities and Real Estate, according to Council's direction. Approximately 11 new projects totalling \$2.302 million were included in the Revised 2006-2010 Capital Plan.
- Increase in requests to equip buildings with advanced back up electricity and other systems to enable delivery of services during the emergency response situations.

Although condition audits have been completed for the majority of the buildings, the program advises that its 5 year capital plan is subject to an on-going validation and refinement in order to verify the scope and costs for all projects. Therefore, projects are regularly reviewed and reprioritized and an updated list of backlog projects maintained. For that reason, a number of projects anticipated to be implemented in 2006 at the time of the 2005-2009 Capital Plan Submission are deferred to future years and new projects included in the Revised 2006-2010 Capital Plan.

Revised 5 –Year Plan

Project / Sub-Project Name	Cat	2006		2007		2008		2009		2010		TOTAL 2011-2015	
		Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources
		1	2	3	4	5	6	7	8	9	10	11	12
<b>PROGRAM REQUEST</b>		35,000	35,000	39,000	39,000	37,000	37,000	37,000	37,000	37,000	37,000	45,074	45,074
<b>Proposed 2006 Changes</b>													
<b>PROPOSED CHANGES:</b>													
<b>2004 Carry Forwards:</b>													
<b>Previously Approved:</b>													
<b>New:</b>													
Environmental	1			0	0	0	0	0	0	0	0	0	0
Barrier Free / Equity	2			0	0	0	0	0	0	0	0	0	0
Re-roofing	1			(616)	(616)	628	628	0	0	0	0	0	0
Structural / Building Envelope	1			(598)	(598)	(2,125)	(2,125)	(2,321)	(2,321)	868	868	4,475	4,475
Mechanical / Electrical	1			(362)	(362)	235	235	(689)	(689)	(3,701)	(3,701)	4,632	4,632
Sitework	1			0	0	0	0	(191)	(191)	0	0	199	199
Renovations	1			(2,417)	(2,417)	(722)	(722)	1,168	1,168	811	811	1,345	1,345
Capital Construction	5			0	0	0	0	0	0	0	0	0	0
Emergency	1			(7)	(7)	(16)	(16)	33	33	22	22	0	0
Transfer of SOGR budgets from TSS and TPH	3	792	792	620	620	643	643	666	666	328	328	2,676	2,676
Sub-Total Proposed Changes		792	792	(3,380)	(3,380)	(1,357)	(1,357)	(1,334)	(1,334)	(1,672)	(1,672)	13,327	13,327
<b>Proposed 5-Yr. Cash Flow</b>		35,792	35,792	35,620	35,620	35,643	35,643	35,666	35,666	35,328	35,328	58,401	58,401
<b>Debt Guideline</b>			35,792		35,000		35,000		35,000		35,000		
<b>Variance To Debt Guideline</b>			0		620		643		666		328		

**Development Charge Funding**

The five year plan does not include Development Charge funding, since there are no new or future growth projects eligible for this source of funding.

**SOGR Capital Budget Transfers to Facilities and Real Estate**

Since amalgamation, each year the Facilities and Real Estate staff perform an audit on Public Health buildings and provide the Program with budget estimates for emergency and state of good repair projects. These projects are then incorporated into the capital budget submissions, requiring coordination between departments for implementation and processing. In addition, need for funding of similar types of projects has been determined (and requested) by Social Services. Upon further review, it is proposed that the Public Health and Social Services capital maintenance budgets be transferred and consolidated within the Facilities and Real Estate Capital Budget. It is anticipated that this transfer will result in:

- Consistent maintenance standards throughout the City's facilities;
- Benefit of economies of scale achieved within the Facilities and Real Estate Program;
- Improved efficiencies and avoidance of duplication of effort between programs; and
- Streamlined payment processing and centralized management control.

The following table outlines capital maintenance budgets proposed to be transferred to Facilities and Real Estate:

<b>Project</b>		<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
		<b>(\$000)</b>				
<b>Public Health</b>						
	Emergency Repair	75	75	75	75	75
	Other SOGR Projects	579	323	142	425	178
	<b>Sub-total</b>	<b>654</b>	<b>398</b>	<b>217</b>	<b>500</b>	<b>253</b>
<b>Social Services</b>						
	Emergency Repair	75	75	75	75	75
	Other SOGR Projects	63	147	351	91	
	<b>Sub-total</b>	<b>138</b>	<b>222</b>	<b>426</b>	<b>166</b>	<b>75</b>
	<b>Total</b>	<b>792</b>	<b>620</b>	<b>643</b>	<b>666</b>	<b>328</b>

It should be noted that allocations for emergency repairs originally requested by individual programs for 2006 were \$150,000 (Public Health) and \$130,000 (Social Services). Upon further review of the actual expenditures, it is proposed that these projects be transferred at a reduced amount of \$75,000 for each program, since some benefits from economies of scale and streamlined processes are expected.

This transfer is proposed as a pilot project in order to assess potential benefits from an integrated capital and operating building maintenance program City wide in the Facilities and Real Estate Capital Program. A comprehensive proposal will be prepared including a list of programs that could benefit from the integrated approach to building maintenance, specific responsibilities and clear definition of process requirements. The Chief Corporate Officer will report back on outcome of the pilot project and proposal for the integrated capital maintenance prior to the 2007 Budget process.

**Nathan Phillips Square Design Competition**

During the 2004 and 2005 budget processes, City Council approved funding totalling \$0.557 million (\$0.283 million in 2004 and \$0.274 million for 2005) for a design competition to revitalize Nathan Phillips Square. A proposed framework for the competition and capital funding forecast for future implementation of a selected design are the subject of a separate report to be presented to Administration Committee on November 7, 2005. A brief summary is presented below.

The project is being led by Facilities and Real Estate, working with an interdivisional staff working group and senior staff steering committee which include City Planning, Parks, Forestry and Recreation, Special Events and Corporate Communications, along with a professional architectural advisor, public consultation advisor, and heritage consultant.

A series of public consultations were held from mid-April to the end of June involving users of the Square, neighbouring businesses, the general public, community groups, and other interested parties to take their ideas, needs and interests into account in developing the guidelines for the competition.

Subject to City Council approval of the parameters for the competition, design professionals will be invited in early 2006 to submit creative proposals to revitalize the Square, to be judged by a panel of internationally recognized jurists.

Capital funding of approximately \$40 million is forecasted to implement the final design that will be selected by a multi-disciplinary jury and approved by City Council. Spending will be distributed over a five year period, with initial expenditures in late 2006 and 2007 focused on detailed design work, followed by approximately three years of construction activity.

For 2006, funding in the amount of \$0.550 million has been included in the 2006 Proposed Capital Budget. Future year capital plan estimates for 2007 to 2010 totalling \$39.450 million with the projected cash flow required is presented below:

2007 (\$Millions)	2008 (\$Millions)	2009 (\$Millions)	2010 (\$Millions)	Total Cost (\$Millions)
1.50	16.00	15.55	6.40	39.45

The above estimates are based on preliminary analysis ahead of the actual selection and award of the winning design for the redevelopment of the Square. Subject to Council approval of the report, these estimates will be revised and updated as appropriate in 2006 when authorization will be sought for the implementation of the winning design. The Chief Corporate Officer will report back to the Administration Committee and Budget Advisory Committee prior to the 2007 Budget Process on the outcome of the Nathan Phillips Square design competition and revised project cost estimates.

It is anticipated that the revitalization of major elements of the Square will include:

- Rehabilitating the overhead walkways
- Enlivening the roof-top podium level of City Hall
- Redesigning the western and southern landscaped areas
- Developing a new stage and related support facilities (at or below grade)
- Re-aligning laneway access to the Square
- Improving pedestrian access
- Improving connectivity to the underground PATH system

- Adding underground storage facilities

The cost estimates for rehabilitating the Square were developed by an external cost consultant working with the Professional Advisor for the competition, who determined that an expenditure of approximately \$16 million of the \$40 million required for the project will be needed to meet the City's capital state of good repair, maintenance and rehabilitation requirements for the Square in the coming years. The other \$23 million expenditure is estimated for enhancements to the requirements for the Square listed above, and for other improvements to the Square, which will be identified through the design competition.

### **Issues Referred to 2006 Capital Budget**

There are no issues referred to the 2006 capital budget.

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

There are no outstanding issues from prior years referred to the 2006 capital budget.

**Appendix 1**  
**2006 Proposed Capital Budget and 2007 to 2015 Revised**  
**Program**

**Appendix 2**  
**2006 Proposed Capital Budget & Future Year**  
**Commitments**



**Appendix 3**  
**2006 Proposed Capital Projects with Financing Details**

**Appendix 4**  
**Reserve / Reserve Fund Review**  
**(\$000)**

**N/A**