

Analyst Briefing Notes

Community Services Committee

(November 7, 2005)

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PART I: CAPITAL PROGRAM**Executive Summary**

- Homes for the Aged projects the year-end spending rate at 79%, or \$9.284 million of the 2005 Approved Budget of \$11.734 million. Program under spending is related to HFA Maintenance Program and timing of the spending for Site Redevelopment – True Davidson Acres.
- The Revised 5-Year Capital Plan totals \$25.0 million with 2006 cash flow of \$5.0 million, and \$5.0 in each subsequent year, comprised of an annual budget of \$2.0 million for Health and Safety Maintenance and \$3.0 million for State of Good Repair Maintenance.
- The 2006 Proposed Capital Budget, including previously approved commitments, requires new cash flow of \$5.0 million with no debt funding. This cash flow, combined carry forward funding of \$2.2 million for 2005 projects, brings the total 2006 Capital Budget to \$7.2 million gross, of which \$1.0 million is funded by debt.
- The 2005 carry forward funding into 2006 is comprised of \$1.2 million for State of Good Repair Capital Maintenance, funded through the HFA Capital Reserve Fund, and \$1.0 million for Site Redevelopment - True Davidson Acres, funded by debt
- New cash flow in the 2006 Proposed Capital Budget is funded entirely from the Homes for the Aged Capital Reserve Fund.
- The Program does not require future year commitments associated with the approval of its 2006 Proposed Capital Budget, as the maintenance budget is approved annually.
- The Revised 5-Year Capital Plan will incur debt service costs in years 2007 through 2010, as the program rolls out its capital maintenance program. No additional operating costs are projected.

Recommendations

1. the 2006-2010 Homes for the Aged capital program request with a five year project cost of \$27.2 million be received;
2. the 2006 Proposed Capital Budget for the Homes for the Aged with a total project cost of \$5.0 million with a 2006 cash flow of \$7.2 million and no future year commitments be approved. The 2006 Proposed Capital Budget consists of the following:
 - (a) new cash flow funding for 2 new subprojects, with total 2006 project cost of \$5.0 million that requires cash flow of \$5.0 million in 2006, with no future year commitments; and
 - (b) 2006 approved cash flow for 2 previously approved projects with carry forward funding from 2005 into 2006 totalling \$2.2 million; and
3. the Revised 5-Year Capital Budget projections of \$5.0 million in 2007, \$5.0 million in 2008, \$5.0 million in 2009 and \$5.0 million in 2010 for Homes for the Aged, 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.

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
11,734	5,974	51	9,284	79	2,450

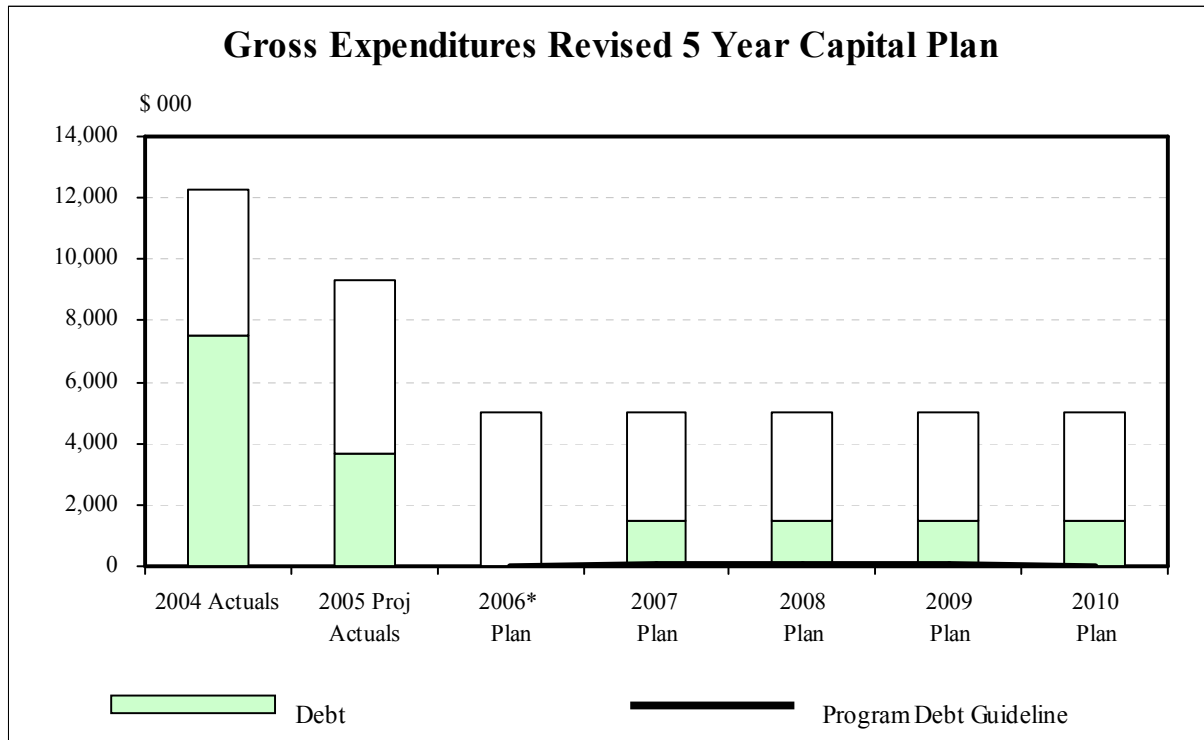
Comments / Issues:

- Homes for the Aged is projecting a year end spending rate of 79%, or \$9.284 million in its September 30, 2005 Variance Report. This spending rate is 10% lower than what was achieved in 2004.
- The third quarter spending rate for Homes for the Aged is 51%, or \$5.974 million. HFA is projecting to spend \$2.1 million in the fourth quarter on Site development-True Davidson Acres, bringing the spending for this project to \$3.984 million by year-end. The Program is also projecting to spend \$0.936 million in the fourth quarter in the Capital Maintenance Program, with year-end spending projected to be \$4.3 million for this project. No spending is projected for Furnishes and Equipment, as the Division has secured a one-time grant from the MOHLTC for this project.
- The 2006 Proposed Capital Budget does not reflect the adjustments to carry forwards resulting from updated year-end spending projections. Adjustments to carry forward funding from 2005 to 2006 will be made before the 2006 Proposed Capital Budget is budget is approved.

The following table summarizes the program year-end spending projections:

Project Name	2005 Plan	Projected Actuals	Comment
Site Development	\$4.984	\$3.984	Construction of True Davison Acres (TDA) was completed in March, 2005. Projections indicate that funding of \$1.0 million will be carried forward from 2005 into 2006. Project deficiencies will be addressed through out the balance of the year and into 2006. Total project cost will be as budgeted.
Maintenance Program	\$5.500	\$4.300	Spending at the end of September was \$3.364 million. Projections indicate that funding of of \$1.2 million will be carried forward from 2005 to 2006.
Supportive Housing, Albion Lodge	\$1.000	\$1.000	Final payment of \$0.250 million will be disbursed in the fourth quarter.
Furnishings and Equipment	\$0.250	\$0.000	Funding for this project has been secured through a one-time grant from MOHLTC. Funding will not be carried forward into 2006.
Total	\$11.734	\$9.284	

5-Year Capital Plan (2006-2010)



	5 Year Plan							2006-2010
	2004	2005	2006	2007	2008	2009	2010	
Gross Expenditures								
Budget (Excluding 1 Yr. Carry/Fwd)	5,040	9,734	5,000	5,000	5,000	5,000	5,000	25,000
1 Yr-Carry/Fwd Gross (Reference only)	8,710	2,000	2,200					
Sub - Total Including 1 Yr. Carry/Fwd	13,750	11,734	7,200					
Actuals	12,247	9,284						
Financing:								
Debt	8,455	3,635	0	1,500	1,500	1,500	1,500	6,000
Debt Actuals (inc 1-Year Carry-fwd)	7,522	3,667						
Program Debt Target			0	69	69	69	0	207
Other Financing Sources:								
Reserves/Reserve Funds			5,000	3,500	3,500	3,500	3,500	19,000
Development Charges			0	0	0	0	0	0
Federal			0	0	0	0	0	0
Provincial (MOH Funding)			0	0	0	0	0	0
Other Revenue			0	0	0	0	0	0
By Category:								
Health & Safety			2,000	2,000	2,000	2,000	2,000	10,000
Legislative			0	0	0	0	0	0
SOGR			3,000	3,000	3,000	3,000	3,000	15,000
Service Improvement			0	0	0	0	0	0
Growth Related			0	0	0	0	0	0
Yearly SOGR Backlog Estimate								Not Available
Accumulated Backlog Estimate								Not Available

* Note: 2006 Proposed Debt excludes 1-year carry forward funding

- The Revised 5-Year Capital Plan for HFA is comprised of a \$25.0 million budget for capital maintenance for the Division's ten homes, with \$10.0 million for Health and Safety Maintenance and \$15.0 million for State of Good Repair. The request, as submitted, evenly distributes the expenditures over the course of the plan, at \$5.0 million per year. Analysis of historical spending trends relative to the insured values of the 10 Homes indicates that the program has a significant backlog of capital maintenance.
- The 2006 Proposed Capital Budget is comprised of requests of \$2.0 million for Health and Safety Maintenance and \$3.0 million for State of Good Repair Maintenance. The budgets are funded entirely from the HFA Capital Reserve Fund. Years 2007 to 2010 in the Revised 5-Year Capital Plan are projected to be financed by debt of \$1.5 million and by the HFA Capital Reserve Fund of \$3.5 million per year for the years 2007 – 2010.
- The HFA Capital Reserve Fund is maintained by the Program to fund its capital maintenance requirements, with the 50% of the program operating surplus related to preferred rate accommodation and operating efficiencies being transferred to the reserve fund on an annual basis.
- Since 2001, a combination of debt financing and the HFA Capital Reserve Fund have been used to finance the Program's Maintenance Plan, with debt financing being as high as 60% of the annual maintenance plan. Beginning in 2004, the HFA Capital Reserve Fund has been the sole source of financing for the HFA Maintenance Program. Analysis indicates that the program has a significant backlog of capital maintenance such that the reserve would likely be depleted in less than ten years, if the reserve fund is the only funding source for the program's capital maintenance program. As this fund was established in response to the need to fund health and safety related capital items/projects, the program needs the assurance that a sufficient balance is available in this fund so that its capital program can be administered effectively. Consequently, years 2007 – 2010 of the Revised 5-Year Capital Plan include a request to use a total of \$6.0 million debt (\$1.5 million per year) financing to fund the Capital Maintenance Plan, reflecting 30% of the annual budget request for these years.
- The 2006 debt affordability guideline for Homes for the Aged was set at zero, based on 2006 debt requirements in the Program's approved 2005 Capital Budget. Program debt requirements for years 2007 – 2010 are impacted by a grant from Ministry of Health and Long Term Care that was budgeted as an offset to the debenture financing incurred by the City for the Site Redevelopment of Wesburn Manor and True Davison Acres. Because this grant runs for 20 years, the program's debt requirement was essentially zero, as this grant offsets the debt the program is requesting for years 2007 - 2010 to fund its Capital Maintenance Program.
- As part of establishing a City-wide Firm 5 Year Capital Plan, the DCM and CFO will be requested to report back in the spring of 2006 on a recommended Firm 5-Year Capital Plan, at which time the debt target requirement for HFA will be reassessed.

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		Total 2006 (Incl 2005 C/Fwd)	
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	Gross	Debt/ Internal Sources
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Carryforwards:															
Sub-Total															
Previously Approved:															
2005 HFA Maintenance - State of Good Repair	3	2,000	0									1,200	0	1,200	0
Site Redevelopment: True Davidson Acres	2	1,000	1,000									1,000	1,000	1,000	1,000
Sub Total															
New and Change in Scope Projects															
2006 HFA - Maintenance - Health & Safety	1	2,000	0					2,000	0	2,000	0			2,000	0
2006 HFA - Maintenance - State of Good Repair	3	3,000	0					3,000	0	3,000	0			3,000	0
Sub Total															
Total 2006															

*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		Recommended Changes			2006 Recommended Cash Flow	
Project/Sub Project Name	Cat.	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Comments / Issues	Gross	Debt/ Internal Sources
2005 Carryforwards								
2005 HFA Maintenance - State of Good Repair	3	1,200	0				1,200	0
Site Redevelopment	2	1,000	1,000				1,000	1,000
							0	0
Sub Total		2,200	1,000	0	0		2,200	1,000
2004 Carryforwards							0	0
Sub Total		0	0	0	0		0	0
2006 Previously Approved Commitments							0	0
Sub Total		0	0	0	0		-	-
New Projects								
2006 HFA - Maintenance - Health & Safety	1	2,000	0			Reallocation of financing source from Provincial Grants & Subsidies to HFA Capital Reserve Fund	2,000	0
2006 HFA - Maintenance - State of Good Repair	3	3,000	0				3,000	0
							0	0
Sub Total New Projects		5,000	0	0	0		5,000	0
Total 2006 Proposed (Incl. 2005 C/Fwd)		7,200	1,000	0	0		7,200	1,000
Less 2005 Carry Forwards		(2,200)	(1,000)	0	0		(2,200)	(1,000)
Total 2006 Proposed (Excl. 2005 C/Fwd)		5,000	0	0	0		5,000	-

- The 2006 Proposed Capital Budget reflects a revision in the financing source for 2006 HFA Maintenance – State of Good Repair from Provincial Grants and Subsidies to HFA Capital Reserve Fund, in the amount of \$1.5 million.

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
Expenditures													
Previously Approved				0		2,200	2,200						2,200
Change in Scope													0
New			5,000	5,000	0		5,000						5,000
New w/Future Year													0
Total Expenditure	0	0	5,000	5,000	0	2,200	7,200	0	0	0	0	0	7,200
Financing													
Debt				0	0	1,000	1,000						1,000
Subsidy (SCPI)													0
Provincial (MOH Funding)			0	0			0						0
Development Charges													0
Other													0
Federal Grants													0
Reserves/Res Funds			5,000	5,000		1,200	6,200						6,200
Total Financing	0	0	5,000	5,000	0	2,200	7,200	0	0	0	0	0	7,200

Comments / Issues:

- The 2006 Proposed Capital Budget is \$7.2 million gross, including \$5.0 million for new projects; and \$2.2 million for funding being carried forward from 2005 into 2006.
- Approval of the 2006 Proposed Capital Budget will result in no commitments beyond 2006.
- The 2006 Proposed Capital Budget of \$7.2 million is financed from the HFA Capital Reserve Fund by \$6.2 million and \$1.0 million by debt financing.

Operating Budget Impact

Program Incremental Operating Costs

The 2006 Proposed Capital Budget does not create additional operating impacts or require additional Approved Positions.

Debt Service Cost

None – All recommended new cash flow for 2006 will be funded from the HFA Capital Reserve Fund.

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 Recommended Capital Budget versus Guideline

The 2006 Proposed Capital Budget of \$5.0 million is funded from a \$5.0 million draw from the HFA Capital Reserve Fund. As the 2006 guideline does not provide HFA with any debt financing, and because the 2006 Proposed Capital Budget does not require any debt, the Proposed 2006 Capital Budget is on target

Capacity

The 2006 Proposed Maintenance Budget for HFA is comprised of two new projects: \$2.0 million for Health & Safety Maintenance and \$3.0 million for State of Good Repair Maintenance. Carry forward funding from 2005 into 2006 of \$1.2 million for State of Good Repair Maintenance is also proposed, for a total maintenance budget of \$6.2 million. The 2006 proposed maintenance budget is funded entirely from the HFA Capital Reserve Fund.

The 2005 maintenance plan is \$5.5 million, comprised of a \$3.5 million budget for new spending, and \$2.0 million carry forward funding from 2004 into 2005.

From 2003 through to 2005, HFA has budgeted \$3.5 million for its annual maintenance. Spending from 2002 through 2005 (inc. projections) has averaged \$2.981 million, or 85% of planned amounts. During this period, HFA has been carrying forward the under-expenditures to the subsequent year, reflecting an annual increase in the maintenance provision from \$3.3 million in 2002 to \$6.2 million in 2006.

A summary of the program’s maintenance funding and past spending is set out below:

HFA Capital Maintenance	Budget * (\$000s)	Actuals	(Over)/ Under Budget	% Spent
2002	3,300	3,001	299	91
2003 including \$ 300 carry fwds	3,800	2,346	1,454	62
2004 including \$1,455 carry fwds	4,955	2,277	2,678	46
2005 including \$ 2,000 carry fwds	5,500	4,300 **	1,200	78
2006 including \$ 1,200 carry fwds	6,200			
** 3 Qrt. Projections				
* including prior year carry fwds				

Analysis of the actual spending relative to the 2005 plan indicates that the program is projecting to spend \$4.3 million by year end, with actual spending at September 30, 2005 at \$3.364 million.

The program has hired an engineering firm to conduct a comprehensive building condition assessment of the mechanical, electrical and structural component of its Homes for the Aged, which should be completed by the end of January. Once this assessment has been completed and evaluated, HFA will begin to prioritize projects within the maintenance plan through out the ten homes. The building

condition assessment will be used to prioritize projects within the Division’s long range capital maintenance plan.

Backlog of Projects – Unmet Needs

The Program has an inventory of assets with an insured value of \$240.429 million, comprised of ten homes as set out in the table below. Aside from Wesburn Manor and True Davison Acres, which were reconstructed in 2004 and 2005, respectively, the average age of each home is approximately 30 years old. Two other homes, Bendale Acres and Cummer Lodge, have been renovated /reconstructed in the 1990’s.

Service / Facility	Age (in years)	Square Footage	(\$000's)
Bendale Acres	42	175,869	29,018
Carefree Lodge	38	56,439	9,312
Castleview Wychwood Towers	30	239,731	39,556
Cummer Lodge	35	243,212	40,130
Fudger House	40	99,495	16,417
Kipling Acres	46	154,341	25,466
Lakeshore Lodge	15	74,385	12,274
Seven Oaks	16	133,311	21,996
True Davidson Acres	32	129,490	21,366
Wesburn Manor	2	150,872	24,894
Totals		1,457,145	240,429

To maintain the homes in a state-of-good repair, if 30 years is used as the benchmark for a building-replacement cycle, approximately \$8.0 million per annum would be required to maintain the Homes in a state of good repair. Although the program does not have a backlog analysis available, it appears that a significant backlog exists, as the spending pattern for capital maintenance is well below this requirement. As noted, the building condition assessment will be used to prioritize projects within the Division’s long range capital maintenance plan.

Provincial Funding for State of Good Repair Maintenance

The 2006 Proposed Capital Maintenance Budget is funded entirely from the HFA Capital Reserve Fund.

The Program submission had included a provincial grant for \$1.5 million in the 2006 Capital Plan as a financing source for the Maintenance State of Good Repair project This grant is a partial recovery from the Ministry of Health and Long Term Care (MOHLTC) for Redevelopment for True Davidson Acres and Wesburn Manor, which the City originally financed through debentures. This grant is approximately \$1.5 million per year, and is expected to continue for 20 years.

As Council originally directed that this grant was to be used to fund approximately 50% of the debt cost associated with the reconstruction of True Davidson Acres and Wesburn Manor, the 2006 Proposed Capital Budget recommends that the grant not be utilized by the Program as a source of financing for the Maintenance Budget, but be directed to the Non-Program Budget for Capital and Corporate financing as a recovery from capital to reduce debt costs incurred by the City in the course of the redevelopment of these two homes.

Debt Guideline: Five Year Capital Plan

The Revised 5-Year Capital Plan will incur debt service cost in year 2007 through 2010, as the revised 5-Year Capital Plan includes debt financing of \$1.5 million per year for State of Good Repair Maintenance. The program submission exceeded the debt guideline by \$5.793 million over the four year period. The DCM and CFO, in consultation with the Program, will be requested to report back in the spring of 2006 on a recommended Firm 5-Year Capital Plan, at which time the debt target requirements will be reassessed and incorporated into the City's Firm 5-Year Plan.

Issues Referred to 2006 Capital Budget

None

Outstanding Issues from Prior Years

None

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

Appendix 2
2006 Proposed Capital Budget & Future Years
Commitments
Submission

Appendix 3
2006 Proposed Projects with Financing Details
Submission

Appendix 4 Reserve / Reserve Fund Review

Reserve / Reserve Fund Name	Project / SubProject Number	Projected Balance, Dec 31, 2005	Proposed Withdrawals					Total
			2006	2007	2008	2009	2010	
HFA Capital Reserve Fund per Revised 2006 Capital Plan	XR2103	(000's) \$29,642	(000's) \$6,200	(000's) \$3,500	(000's) \$3,500	(000's) \$3,500	(000's) \$3,500	(000's) \$20,200
Total Reserve / Reserve Fund		\$29,642	\$6,200	\$3,500	\$3,500	\$3,500	\$3,500	\$9,442