

Analyst Briefing Notes
Budget Advisory Committee Review
(November 10, 2005)

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Contacts: John Di Lallo, Manager, Financial Planning
Tel: (416) 397-4207
Shirley Chan-Ng, Senior Financial Planning Analyst
Tel: (416) 397-4533

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PART I: CAPITAL PROGRAM**Executive Summary**

- The 2005 Approved Capital Budget of \$68.083 million was 52% spent as at September 30, 2005. Actual expenditures by year-end are anticipated to be \$50.595 million, or 74% of the Approved Budget, resulting in projected 2005 cash flow funding of \$16.189 million being carried into 2006. This projected under expenditure is primarily attributed to lengthy processes in negotiation, tendering, and receiving approvals. The projected spending rate is lower than the 83.6% spending rate achieved in 2004.
- The Revised 2006-2015 Capital Program totals \$330.751 million of which \$218.448 million is projected for the Program's 5-Year Capital Plan, with 2006 cash flow of \$58.539 million, \$39.783 million in 2007, \$40.034 million in 2008, \$40.059 million in 2009, and \$40.033 million in 2010.
- The 2006 Proposed Capital Budget including previously approved commitments requires new 2006 cash flow of \$42.350 million gross with debt funding of \$30.518 million. This cash flow combined with carry forward funding of \$16.189 million for 2005 projects being carried forward into 2006 brings the total 2006 Proposed Capital Budget to \$58.539 million gross, of which \$34.341 million is funded by debt. The 2006 Proposed Capital Budget is below the debt target of \$36.946 million by \$6.428 million.
- 73% of the 2006 proposed new cash flow of \$42.350 million is allocated to State-of-Good-Repair projects at \$30.849 million primarily for Facility projects; 25% to Service Improvement projects at \$10.751 million primarily for Information Technology projects; and 2% to Health & Safety at \$0.750 million.
- The primary focus of the 2006 Proposed Capital Budget is to address current State-of-Good-Repair facility needs and technology infrastructure. Funding is included in 2006 for Facility projects such as 14 Division, 23 Division, 11 Division, and the New Training Facility; and IT projects such as the Digital Video Asset Management II, and TRMS.
- 43 Division is expected to be completed in 2005 and operational in 2006. The Program has been requested to report back on the \$2.000 million over-expenditure in the 43 Division project.
- Future year commitments arising from the 2006 Proposed Capital Budget will need to be reviewed with Financial Planning staff prior to the finalization of the 2006 Capital Budget.
- The 5-Year Capital Plan has been smoothed to meet debt targets for 2007 to 2010. The revised cash flow projections of \$39.783 million in 2007, \$40.034 million in 2008, \$40.059 million in 2009 and \$40.033 million in 2010 for Toronto Police Service 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 Toronto Police Service Capital Program request with a total 10-year Capital Program project cost of \$221.305 million be received;
2. the 2006 Proposed Capital Budget for Toronto Police Service with a total project cost of \$36.691 million and a 2006 cash flow of \$58.539 million and future year commitments of \$32.300 million in 2007; \$30.001 million in 2008; \$23.044 million in 2009; and \$3.153 million in 2010; be approved. The 2006 Proposed Capital Budget consists of the following:
 - a) New Cash Flow Funding for:
 - i) 16 new sub-projects with a 2006 total project cost of \$36.691 million that requires cash flow of \$19.567 million in 2006 and future year commitments of \$9.918 million in 2007; \$6.706 million in 2008; and \$0.500 million in 2009;
 - ii) 13 previously approved sub-projects with a 2006 cash flow of \$22.783 million and future year commitments of \$22.382 million in 2007; \$23.295 million in 2008; \$22.544 million in 2009; and \$3.153 million in 2010;
 - b) 2006 approved cash flow for 8 previously approved sub-projects with carry forward funding from 2005 into 2006 totalling \$16.189 million;
3. new debt service costs of \$0.915 million in 2006 and incremental costs of \$4.326 million in 2007; \$4.453 million in 2008; \$3.991 million in 2009; \$2.629 million in 2010; and \$0.347 million in 2011 resulting from the approval of the 2006 Proposed Capital Budget, be approved for inclusion in the 2006 and future year operating budgets;
4. operating impacts in the Toronto Police Service Operating Budget of \$2.645 million for 2006, and \$0.420 million for 2007 emanating from the approval of the 2006 Capital Budget be considered within the overall scope of the Toronto Police Service's 2006 and future years' operating budget submissions;
5. Toronto Police Service be requested to report back to the Budget Advisory Committee during consideration of the 2006 Capital Budget on the status of negotiations with the Department of National Defence on potential cost sharing for the new Training Facility cost, as the capital budget does not reflect any potential cost-sharing recoveries from any partnership for the New Training Facility;
6. Toronto Police Service be requested to report back to the Budget Advisory Committee during the consideration of the 2006 Capital Budget, on the reasons for the \$2.000 million over-expenditure in 43 Division in 2005;
7. Toronto Police Service be requested to report back to the Budget Advisory Committee during consideration of the Capital Budget on the status of any SmartZone and CentraCom Upgrade cost-sharing agreements, securing funding from EMS and Fire, and any amendments to cash flow to accommodate the proposed need in all associated Programs;

8. New and Change in Scope Projects with future year commitments (HRMS, In-Car Camera, and Digital Video Asset Management II) be reviewed with Financial Planning staff prior to the finalization of the 2006 Capital Budget;
9. the revised cash flow projections of \$39.783 million in 2007, \$40.034 million in 2008, \$40.059 million in 2009 and \$40.033 million in 2010 for Toronto Police Service 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; and
10. Toronto Police Service, in conjunction with Fire and EMS, be requested to report back to the Budget Advisory Committee in the Spring of 2006 on the findings of the Radio Communication System Replacement project feasibility study and any cash flow revisions required for the City's 5-Year Plan.

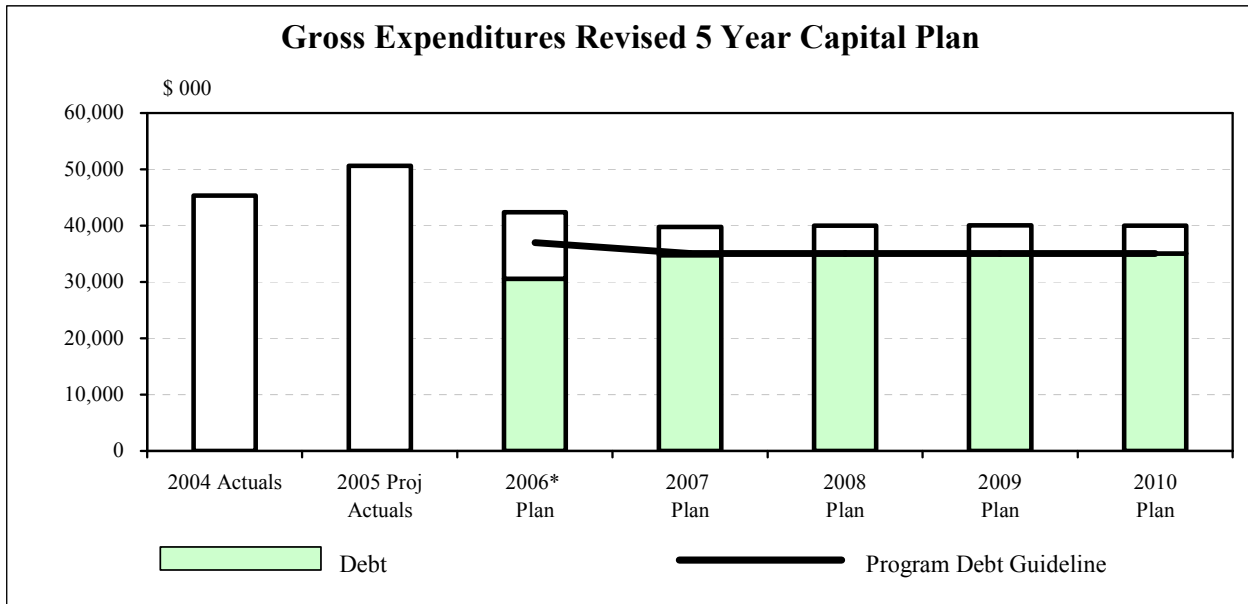
2005 Capital Variance Review

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
68,083	35,595	52	50,595	74	17,488

Comments / Issues:

- Toronto Police Service projected its year-end spending rate for 34 approved projects at 74% in its September 30, 2005 Variance Report. The projection of 2005 funding to be carried forward into 2006 with the 2006 Capital Budget submission is \$16.189 million implying year-end actuals of \$51.894 million, lower than the projected actuals identified in the 3rd quarter variance report.
- The general level of carry forward funding of 2005 to 2006 required arises from a number of factors listed below:
 - 41 Division: \$3.254 million of Land Acquisition Cost will be carried forward to 2006 when City's Real Estate is expected to complete the land acquisition;
 - Firearms – Birmingham Dr.: \$1.651 million;
 - Police Integration Systems: \$1.200 million will be carried forward to 2006 due to a delay in RFP evaluation because inventory asset management took longer than originally expected;
 - Jet Forms Replacement: \$0.900 million will be carried forward to 2006 because the estimated time to convert approximately 600 forms that are used extensively throughout the service for business, investigative and legal processes is 18 months;
 - 14 Division – 1100 King Street: \$0.740 million;
 - HRMS Additional Functionality: \$0.350 million;
 - 640 Lansdowne Ave.: \$0.200 million;
 - 23 Division – Kipling and Finch: \$0.032 million.
- 43 Division is now complete and will be operational in early January 2006, with over-expenditures of \$2.000 million. To accommodate this over-expenditure, \$0.900 million was funded from available funds in completed and closed projects, while another \$1.100 million was obtained through the deferral of 23 Division project costs to 2006. Toronto Police Services has been requested to report back to the Budget Advisory Committee on the reasons for the over-spending, as part of the review of the 2006 Capital Budget.

5-Year Capital Plan (2006-2010)



	5 Year Plan							
	2004	2005	2006	2007	2008	2009	2010	2006-2010
Gross Expenditures:								
Budget (Excluding 1-Yr. Carry/Fwd)	40,290	46,570	42,350	39,783	40,034	40,059	40,033	202,259
1-Yr Carry/Fwd Gross (Reference only)	13,882	20,965	16,189					
Sub-Total Gross Exp. Including 1-Yr. Carry/Fwd	54,172	67,535	58,539					
Actuals	45,308	50,595						
Financing:								
Debt	32,901	38,323	30,518	34,750	35,001	35,026	35,000	170,295
Debt Actuals (including 1-Yr Carry/Fwd)								
Program Debt Target			36,946	35,000	35,000	35,000	35,000	176,946
Other Financing Sources:								
Reserves/Reserve Funds			10,432	5,033	5,033	5,033	5,033	30,564
Development Charges								0
Federal								0
Provincial								0
Other Revenue			1,400					1,400
By Category:								
Health & Safety			750	375	375	0	0	1,500
Legislative			0	0	0	0	0	0
SOGR			30,849	30,663	32,033	39,077	38,228	170,850
Service Improvement			10,751	8,745	7,626	982	1,805	29,909
Growth Related			0	0	0	0	0	0

Yearly SOGR Backlog Estimate (not addressed by current year projects)
 Accumulated Backlog Estimate (end of year)

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

85% of the total cash flow of \$202.259 million in the Revised 5-Year Capital Plan, excluding 2005 carry forward funding into 2006, is allocated to State of Good Repair projects at \$170.850 million; 15% is allocated to Service Improvement projects at \$29.909 million; and less than 1% to Health and Safety projects at \$1.500 million.

- A Facility Audit was completed and the 5-Year Revised Capital Plan addresses the Program's state-of-good-repair needs arising from the audit's findings.
- The Revised 5-Year Capital Plan reflects a debt funding request of \$30.518 million in 2006, \$34.750 million in 2007, \$35.001 million in 2008, \$35.026 million in 2009 and \$35.000 million in 2010, which is affordable and lower or equal to the 5-Year debt guideline of \$36.946 million in 2006; \$35.000 million in 2007; \$35.000 million in 2008; \$35.000 million in 2009; and \$35.000 million in 2010. However it should be noted that in order to meet their annual debt targets, the significant capital projects had to be deferred beyond the 5-Year Plan timeframe.
- The Revised 5-Year Capital Plan is driven primarily by five major Facility Projects, such as the New Training Facility, and four new stations, which result in debt funding requests that meet debt guidelines for each year from 2006 to 2010.
- For 2006, the Toronto Police Service has maximized the application of reserve funding to reduce the demand on debt where possible. As a result, the 2006 proposed debt funding of \$30.518 million is lower than the debt target of \$36.946 million by \$6.428 million.
- The revised cash flow projections of \$39.783 million in 2007; \$40.034 million in 2008; \$40.059 million in 2009; and \$40.033 million in 2010 for Toronto Police Service 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.
- Not included in the Toronto Police Service 5-Year Capital Plan is the joint Toronto Police Services/Fire/EMS Radio Communications Replacement Project, which has been identified as being a City-wide Corporate project. It is recommended that Toronto Police Service, in conjunction with Fire and EMS, be requested to report back to the Budget Advisory Committee in the Spring of 2006 on the findings of the project feasibility study and any cost estimate revisions required for the City's 5-Year Plan.

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:															
640 Lansdowne Ave.	3											200	200	200	200
14 Div. - 1100 King Street	3											740	740	740	740
14 Div. - Land Acquisition Cost	3											4,230	0	4,230	0
23 Div. - Kipling and Finch	3											32	32	32	32
Police Integration Systems	4											1,200	0	1,200	0
41 Div. - Land Acquisition Cost	3											3,254	0	3,254	0
Firearms - Birmingham Dr.	3											1,651	1,651	1,651	1,651
HRMS Additional Functionality	4											350	0	350	0
Jet Forms Replacement	3											900	0	900	0
54 Div. - Land Acquisition Cost	3											1,708	0	1,708	0
Sub-Total				0	0	0	0	0	0	0	0	14,265	2,623	14,265	2,623
Previously Approved:															
640 Lansdowne Ave.	3					6,300	6,300			6,300	6,300	0	0	6,300	6,300
14 Div. - 1100 King Street	3					1,000	1,000			1,000	1,000	0	0	1,000	1,000
23 Div. - Kipling and Finch	3					6,709	6,709			6,709	6,709	0	0	6,709	6,709
Firearms - Birmingham Dr.	3					2,100	2,100			2,100	2,100	0	0	2,100	2,100
TRMS Additional Functionality	4					1,903	1,903			1,903	1,903	0	0	1,903	1,903
HRMS Additional Functionality	4					1,300	1,300			1,300	1,300	0	0	1,300	1,300
Furniture Lifecycle Replacement	1					750	750			750	750	0	0	750	750
Strong Authentication (Computer Security)	4					960	960			960	960	0	0	960	960
Replacement of Call Centre Management	3					296	296			296	296	0	0	296	296
Facility Fencing 2005	4					915	915			915	915	0	0	915	915
Automated Vehicle Location System Expansion	4					395	395			395	395	0	0	395	395
Voice Logging System	3					131	131			131	131	0	0	131	131
In Car Camera	4					24	24			24	24	0	0	24	24
Sub Total				0	0	22,783	22,783	0	0	22,783	22,783	0	0	22,783	22,783
New and Change in Scope Projects															
43 Div. - Additional Cost	3	2,000	2,000					2,000	2,000	2,000	2,000			2,000	2,000
23 Div. - Change of Scope - Increase in Cost	3	2,000	2,000					0	0	0	0			0	0
Investigative Voice Radio System	3	1,200	1,200					1,200	1,200	1,200	1,200			1,200	1,200
TRMS Additional Functionality	4	193	193					0	0	0	0			0	0
HRMS Additional Functionality	4	1,360	1,360					115	115	115	115			115	115
Voice Logging System Additional Cost in 2006	3	170	170					170	170	170	170			170	170
Vehicle and Equipment Reserve - TPS 2006	3	5,033	0					5,033	0	5,033	0			5,033	0
Workstations, Printers and Laptops 2006	3	1,900	0					1,900	0	1,900	0			1,900	0
Servers - 2006	4	1,589	0					1,589	0	1,589	0			1,589	0
IT Business Resumption - 2006	3	1,910	0					1,910	0	1,910	0			1,910	0
SmartZone Upgrade - Additional Funds	3	1,000	0					1,000	0	1,000	0			1,000	0
Centra Com Upgrade - Additional Fund	3	400	0					400	0	400	0			400	0
Advanced Taser Deployment	4	1,100	1,100					1,100	1,100	1,100	1,100			1,100	1,100
In Car Camera - Additional Funds	4	10,471	10,471					100	100	100	100			100	100
Digital Video Asset Management II	4	5,665	5,665					2,350	2,350	2,350	2,350			2,350	2,350
SOGR 2006	3	1,600	1,600					1,600	1,600	1,600	1,600			1,600	1,600
Sub Total		37,591	25,759	0	0	0	0	20,467	8,635	20,467	8,635	0	0	20,467	8,635
Total Submission 2006		37,591	25,759	0	0	22,783	22,783	20,467	8,635	43,250	31,418	14,265	2,623	57,515	34,041

*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								
640 Lansdowne Ave.	3	200	200	300	300	Adjustment based on 3rd Quarter variance report.	500	500
14 Div. - 1100 King Street	3	740	740				740	740
14 Div. - Land Acquisition Cost	3	4,230	0	900	900	Adjustment based on 3rd Quarter variance report.	5,130	900
23 Div. - Kipling and Finch	3	32	32				32	32
Police Integration Systems	4	1,200	0	724		Adjustment based on 3rd Quarter variance report.	1,924	0
41 Div. - Land Acquisition Cost	3	3,254	0				3,254	0
Firearms - Birmingham Dr.	3	1,651	1,651				1,651	1,651
HRMS Additional Functionality	4	350	0				350	0
Jet Forms Replacement	3	900	0				900	0
54 Div. - Land Acquisition Cost	3	1,708	0				1,708	0
Other Carry Forwards (details on previous page)								
Sub Total		14,265	2,623	1,924	1,200		16,189	3,823
2004 Carryforwards								
Sub Total		0	0	0	0		0	0
2006 Previously Approved Commitments								
640 Lansdowne Ave.	3	6,300	6,300				6,300	6,300
14 Div. - 1100 King Street	3	1,000	1,000				1,000	1,000
23 Div. - Kipling and Finch	3	6,709	6,709				6,709	6,709
Firearms - Birmingham Dr.	3	2,100	2,100				2,100	2,100
TRMS Additional Functionality	4	1,903	1,903				1,903	1,903
HRMS Additional Functionality	4	1,300	1,300				1,300	1,300
Furniture Lifecycle Replacement	1	750	750				750	750
Strong Authentication (Computer Security)	4	960	960				960	960
Replacement of Call Centre Management	3	296	296				296	296
Facility Fencing 2005	4	915	915				915	915
Automated Vehicle Location System Expansion	4	395	395				395	395
Voice Logging System	3	131	131				131	131
In Car Camera	4	24	24				24	24
Other Previously Approved (details on previous page)								
Sub Total		22,783	22,783	0	0		22,783	22,783
New Projects								
43 Div. - Additional Cost	3	2,000	2,000	(2,000)	(2,000)	Remove \$2.0 million over expenditure in 43 Division in 2005 originally budgeted in 2006	0	0
23 Div. - Change of Scope - Increase in Cost	3	0	0	1,100	1,100	Increase cash flow to reflect reallocation of 2005 cash flow to 43 Division	1,100	1,100
Investigative Voice Radio System	3	1,200	1,200				1,200	1,200
TRMS Additional Functionality	4	0	0				0	0
HRMS Additional Functionality	4	115	115				115	115
Voice Logging System Additional Cost in 2006	3	170	170				170	170
Vehicle and Equipment Reserve - TPS 2006	3	5,033	0				5,033	0
Workstations, Printers and Latops 2006	3	1,900	0				1,900	0
Servers - 2006	4	1,589	0				1,589	0
IT Business Resumption - 2006	3	1,910	0				1,910	0
SmartZone Upgrade - Additional Funds	3	1,000	0				1,000	0
Centra Com Upgrade - Additional Fund	3	400	0				400	0
Advanced Taser Deployment	4	1,100	1,100				1,100	1,100
In Car Camera - Additional Funds	4	100	100				100	100
Digital Video Asset Management II	4	2,350	2,350				2,350	2,350
SOG 2006	3	1,600	1,600				1,600	1,600
Other New (details on previous page)								
Sub Total New Projects		20,467	8,635	(900)	(900)		19,567	7,735
Total 2006 Proposed (Incl. 2005 C/Fwd)		57,515	34,041	1,024	300		58,539	34,341
Less 2005 Carry Forwards		(14,265)	(2,623)	(1,924)	(1,200)		(16,189)	(3,823)
Total 2006 Proposed (Excl. 2005 C/Fwd)		43,250	31,418	(900)	(900)		42,350	30,518

**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		22,783		22,783		16,189	38,972	22,382	23,295	22,544	3,153		110,346
Change in Scope			4,085	4,085			4,085	7,618	5,691	500			17,894
New			8,849	8,849			8,849	2,300	1,015				12,164
New w/Future Year			6,633	6,633			6,633						6,633
Total Expenditure	0	22,783	19,567	42,350	0	16,189	58,539	32,300	30,001	23,044	3,153	0	147,037
Financing													
Debt		22,783	7,735	30,518	36,946	3,823	34,341	32,300	30,001	23,044	3,153		122,839
Subsidy (SCPI)													0
Prov. Subsidy/Grant													0
Development Charges													0
Other			1,400	1,400		3,174	4,574						4,574
Federal Grants													0
Reserves/Res Funds			10,432	10,432		9,192	19,624						19,624
Total Financing	0	22,783	19,567	42,350		16,189	58,539	32,300	30,001	23,044	3,153	0	147,037

Comments / Issues:

The 2006 Proposed Capital Budget is \$58.539 million gross, including \$22.783 million in funding for previously approved commitments primarily for 23 Division, 11 Division, and New Training Facility; \$19.567 million for new/change in scope projects primarily for vehicle and equipment replacement, and IT projects such as the Digital Video Asset Management II, Time Resource Management System and for other technology infrastructure projects; and \$16.189 million such as 14 Division, 41 Division, and New Training Facility, carried forward from 2005 to 2006.

Approval of the 2006 Proposed Capital Budget will accommodate previously approved projects with a commitment of \$22.382 million in 2007, \$23.295 million in 2008, \$22.544 million in 2009, and \$3.153 million in 2010, for the following projects:

- New Training Facility (\$43.727 million)
- 11 Division (\$15.600 million)
- 14 Division (\$18.950 million)

However, the above-noted future year commitments must be reviewed with Financial Planning staff prior to the finalization of the 2006 Capital Budget.

Operating Budget Impact

Incremental Operating Budget Summary

Incremental Operating Budget Impact	2006	2007	2008	2009	2010	2011
Program Costs (net) (\$000s)	2,645	420				
Debt Service Charges (\$000s)	915.5	4,326.0	4,453.0	3,991.4	2,629.4	346.8
Approved Positions	55	0				

Program Incremental Operating Costs

The 2006 Proposed Capital Budget will increase the Program's Operating Budget, with incremental impacts in 2007 and future years as a result of the following capital projects/subjects:

2006 Capital Projects/Sub-Projects		2006 (\$000s)	2006 approved position change	2007 (\$000s)	2007 approved position change
Police Integration System	Police Integration System	150		100	
Strong Authentication	Strong Authentication (Computer Security)			65	
Replacement of Call Centre Management	Replacement of Call Centre Management			50	
Voice Logging System	Voice Logging System			85	
Advanced Taser Deployment	Advanced Taser Deployment			80	
Jet Forms Replacement	Jet Forms Replacement			40	
43 Division	43 Division - Additional Cost	2,420	55		
Investigative Voice Radio System	Investigative Voice Radio System	75			
TOTAL		2,645	55	420	-

The incremental operating costs outlined above include the following:

- The Toronto Police Service has identified 55 new positions consisting of 39 uniformed officer positions and 16 civilian positions to staff the newly constructed 43 Division which is expected to be completed in 2005. Funding for 43 Division staffing has been included in the Toronto Police Service 2006 Operating Budget submission.
- Operating costs for 43 Division include \$0.220 million per year for building operations, generator and utilities, as well as \$2.2 million for staffing costs beginning in 2006.
- The incremental operating cost for the Police Integration System starts at \$0.150 million in 2006 and increases to \$0.250 million in future years to cover annual system maintenance costs.
- The remaining operating impacts associated with various capital projects are primarily for maintenance costs.

Debt Service Cost

The 2006 Proposed Capital Budget for Toronto Police Service will result in new debt service costs of \$0.915 million in 2006, and the incremental cost of \$4.326 million in 2007, \$4.453 million in 2008, \$3.991 million in 2009, and \$2.629 million in 2010, and \$0.345 million in 2011.

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 Proposed Capital Budget of \$42.350 million reflects a debt funding level of \$30.518 million, which is under the 2006 debt affordability guideline for the Toronto Police Service of \$36.946 million by \$6.428 million.

Toronto Police Services' capital budget submission that required debt less than the affordability guideline plus proposed net adjustments of \$0.900 million associated with 43 Division has enabled this capital budget to be below the debt guideline for 2006.

5 Year Capital Plan Overview

The Toronto Police Service future years' budget trend is driven primarily by five Facility Projects, which were identified by a Facility Audit primarily to address SOGR, Health & Safety, and Service Enhancements. The majority of costs are for a New Training Facility, and four new stations. The 5-Year Capital Plan projections have been revised since the Program's submission and now meet their debt affordability guidelines for each of the years 2006-2010. However it should be noted that the significant facility projects were deferred to 2011-2015 in order to smooth debt requirements over the 5-year horizon.

The Revised 2006-2010 Capital Plan totals \$202.259 million, excluding carry forward of 2005 funding into 2006, and is comprised of five major projects:

2006-2010 Capital Plan
(Excludes Carry Forward Funding)
(\$ 000s)

	2006	2007	2008	2009	2010	Total 2006-2010
New Training Facility	2,100	14,720	12,780	14,127		43,727
11 Division	6,300	3,960	3,540	1,800		15,600
14 Division	1,000	2,500	5,680	6,617	3,153	18,950
41 Division			400	2,500	5,950	8,850
54 Division			400	2,600	5,292	8,292
Total Expenditure	9,400	21,180	22,800	27,644	14,395	95,419

The 5-Year Revised Capital Plan may face implementation challenges due to tight timelines assumed, and the potential issues presented by site location, and Environmental Assessments.

Over the next ten years, the vast majority of projects are to be financed almost exclusively by debt.

While the need for the five major Facility Projects was based on a Toronto Police Service needs assessment and study, it is nonetheless recommended that Toronto Police Service be requested to

report back to the Budget Advisory Committee in the Spring of 2006 in terms of the status and cashflows of all five projects.

From a capacity standpoint, given the potential operational challenges such as site location, Environmental Assessments, and concurrent time lines associated with three 2006 previously approved Facility projects, it is recommended that the Toronto Police Service report back on possible revised cash flows and revisit future year commitments and cash flows associated with these projects.

It is assumed that the Revised 5-Year Capital Plan will accommodate the 150 plus 46 new officers to be added in 2006 and that there will be no incremental capital budget impact for fleet and uniforms, etc.

The Revised 5-Year Capital Plan is based on a Facility Audit. The primary focus of the 2006 Capital Budget is to address current SOGR needs, and the 5-Year Revised Capital Plan equally addresses the Program's needs regarding SOGR over the longer term.

The revised cash flow projections of \$39.783 million in 2007; \$40.034 million in 2008; \$40.059 million in 2009 and \$40.033 million in 2010 for Toronto Police Service 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.

Capacity

The request for 1 year carry forward of unspent 2005 funds to 2006 has decreased from \$20.965 million in 2005 to \$16.189 million in 2006.

There is, however, a concern in the spending rate in the 2005 Capital Budget to date: only 52% of the 2005 Approved Budget of \$68.083 million has been spent up to September 30, 2005. The Program however, is projecting a spending rate for year-end of 74%, or an additional \$15 million of spending in the 4th Quarter of 2005.

The 2006 Proposed Capital Budget for the Toronto Police Service will likely face significant capacity issues given the magnitude of the cash flows projected for future years and the simultaneous timing of the projects.

From a capacity standpoint, it may not be feasible to have all four projects occur concurrently, since that may present challenges operationally given the need for site location and Environmental Assessments within projected time lines.

From a readiness standpoint, the need to procure suitable sites and the requirement for Environmental Assessments on those proposed sites may present some major challenges. Based on this, it is likely that some of the projects may not proceed as scheduled.

Due to potential capacity and readiness issues, the four projects and their associated future year commitments will be reviewed in conjunction with the 5-Year Revised Capital Plan with the Deputy City Manager & CFO in the Spring of 2006.

Backlog of Projects – Unmet Needs

The Program 2006 Capital Budget submission does not include information on the State-of-Good-Repair backlog. The Program is being requested to provide the information.

Cost-Sharing Projects with Fire and EMS

Toronto Police Service has cost-sharing agreements for the SmartZone Upgrade of \$0.500 million in 2006 from both Toronto Fire Service and Emergency Medical Services, as well as for the Centracom Upgrade of \$0.400 million in 2006 from Toronto Fire Service. Toronto Police Service has budgeted for this reimbursement, while EMS, due to affordability reasons, has not; while Fire has cancelled their SmartZone and Centracom upgrades in light of their entire system replacement and debt affordability. Due to this, it is recommended that Toronto Police Service be requested to report back to the Budget Advisory Committee during consideration of the 2006 Capital Budget on the status of any cost-sharing agreements, securing funding from EMS and Fire, and any amendments to cashflow to accommodate the proposed need in all associated programs.

Radio Communication System Replacement

Motorola announced that it would discontinue support for the current radio communication system beyond 2009. The major impact of the Radio Communication System Replacement Project in 2009 has been addressed in terms of re-classifying the project as a corporate priority and reflecting the Toronto Fire Services' requirements together with similar joint requirements of EMS and Police Services as a separately managed program. This will be funded through debt in a corporate project and so does not affect the backlogs for these Services.

- On October 25, 2005, a meeting was held with all three Programs and Financial Planning in order to get a current status on the project and rationalize the latest project cost and cash flow estimates.
 - This project for replacement of the radio system infrastructure has currently been re-estimated. The total project cost is estimated to be \$70 million and would incorporate new system infrastructure requirements for all three emergency services.
 - In addition, the estimated \$43 million for the Police Services' share was confirmed as being the required funding for the replacement of handheld radios currently dating from 1992, over and above the \$70 million network technology.
 - It should be noted that both Fire Services and EMS have budgeted for replacement of Portable radios within the 2006 Proposed Capital Budgets and would be in addition to the funding for the system replacement but would be compatible with this system replacement.
 - A feasibility study by the consultant is to be tabled at the Steering Committee on November 14, 2005. This report is to detail which type of system should be implemented and related time lines and funding requirements.

- The currently estimated cash flows are as follows:

\$000s	2005	2006	2007	2008	2009	2010	2006-2010	2011-2015	Total
Consultant	100				500				500
Proposed Cash Flow System Replacement						17,375	34,750	17,375	69,500
% per year						25%	50%	25%	
Police Handheld Radio Replacements			7,133	5,133	5,133	11,133	28,532	14,266	42,898
Total Project	100	-	7,133	5,133	5,633	28,508	63,283	31,641	112,898

* Does not include EMS and Fire radio replacement requirements

Toronto Police Service, in conjunction with Fire and EMS, has been requested to report back to the Budget Advisory Committee in the Spring of 2006 on the findings of the Radio Communication System Replacement project feasibility study and any cost estimate revisions required for the City's 5-Year Plan.

5-Year Revised Capital Plan Proposed Changes (\$000)

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
PROGRAM REQUEST		43,250	31,418	39,783	34,750	40,034	35,001	40,059	35,026	40,033	35,000	112,303	87,138
Proposed 2006 Changes													
PROPOSED CHANGES: 2004 Carry Forwards:													
Previously Approved:													
43 Division		(2,000)	(2,000)										
New:													
23 Division		1,100	1,100										
Sub-Total Proposed Changes		(900)	(900)	0	0	0	0	0	0	0	0	0	0
Proposed 5-Yr. Cash Flow		42,350	30,518	39,783	34,750	40,034	35,001	40,059	35,026	40,033	35,000	112,303	87,138
Debt Guideline			36,946		35,000		35,000		35,000		35,000		
Variance To Debt Guideline			(6,428)		(250)		1		26		0		

- The 5-Year Capital Plan has been revised by the Program since the Program's original submission.
- 43 Division incurred over expenditures of \$2.0 million in 2005 which was then included in the 2006 Budget by the Program in its original submission. The over-expenditure was funded through available funds in completed and closed projects (approximately \$0.900 million) as well as from 23 Division (\$1.0 million). The 2006 Proposed Budget has subsequently been increased by \$1.1 million in 23 Division, to be funded by debt.
- The 5-Year Cash Flow is in line with the debt guidelines.

Issues Referred to 2006 Capital Budget

There is no issue referred to 2006 Capital Budget.

Outstanding Issues from Prior Years

There are no outstanding issues from prior year.

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

Appendix 2
2006 Proposed Capital Budget
& Future Years Commitments

Appendix 3
2006 Proposed Capital Project
with Financing Details

Appendix 4

Reserve / Reserve Fund Review

The Toronto Police Services' 2006 Capital Budget Submission does not include information on the fund balances of reserve/reserve funds. The Program is being requested to provide the information.