

Analyst Briefing Notes
Administration Committee Review
(November 7, 2005)

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PART I: CAPITAL PROGRAM**Executive Summary**

- Negotiations with Union Pearson Group are on-going. The Revised 2006-2015 Capital Program identifies the potential full cost to the City should negotiations fail.
- The 2005 Approved Capital Budget of \$7.528 million was 2% spent as at September 30, 2005. Actual expenditures by year-end are anticipated to be \$1.040 million, or 14% of the Approved Budget, resulting in projected 2005 cash flow funding of \$5.146 million being carried into 2006. This projected under expenditure is primarily attributed to delays in starting projects due to the ongoing lease agreement negotiations with the Union Pearson Group.
- The Revised 2006-2015 Capital Program totals \$33.211 million of which \$27.684 million is proposed for the Program's Revised 5-Year Capital Plan, with 2006 cash flow of \$5.462 million, \$4.857 million in 2007, \$7.577 million in 2008, \$4.451 million in 2009 and \$5.337 million in 2010.
- The 2006 Proposed Capital Budget including previously approved commitments requires new 2006 cash flow of \$3.717 million and future commitments of \$4.288 million in 2007 and \$3.000 million in 2008.
- 32% of the 2006 proposed cash flow is allocated to State-of-Good-Repair projects at \$1.745 million and 68% to Health & Safety projects at \$3.717 million. All projects are debt funded.
- The 2007-2010 cash flow projections of \$4.857 million in 2007, \$7.577 million in 2008, \$4.451 million in 2009 and \$5.337 million in 2010 for Union Station 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 affordability limits.

Recommendations

It is recommended that:

1. the 2006-2015 Union Station capital program request with a total 10-year project cost of \$20.461 million be received;
2. the 2006 Proposed Capital Budget for Union Station with a total project cost of \$7.649 million and a 2006 cash flow of \$5.462 million and future year commitments of \$7.288 million be approved. The 2006 Proposed Capital Budget consists of the following:
 - a) New Cash Flow Funding for:
 - i) 1 previously approved sub-project with a 2006 cash flow of \$0.316 million and no future year commitments;
 - ii) 3 sub-projects with carry forward funding from 2005 (which were not debt funded) requiring 2006 cash flow of \$3.401 million and future year commitments of \$7.288 million, which forms part of the affordability targets that requires Council to reaffirm its commitment; and
 - b) 2006 approved cash flow for 2 previously approved sub-projects with carry forward funding from 2005 into 2006 totalling \$1.745 million;
3. new debt service costs of \$0.112 million in 2006 and incremental costs of \$0.532 million in 2007, \$0.540 million in 2008 and \$0.330 million in 2009 resulting from the approval of the 2006 Proposed Capital Budget, be approved for inclusion in the 2006 and future year operating budgets;
4. the revised cash flow projections of \$4.857 in 2007; \$7.577 in 2008; \$4.451 in 2009 and \$5.337 in 2010 for Union Station 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.

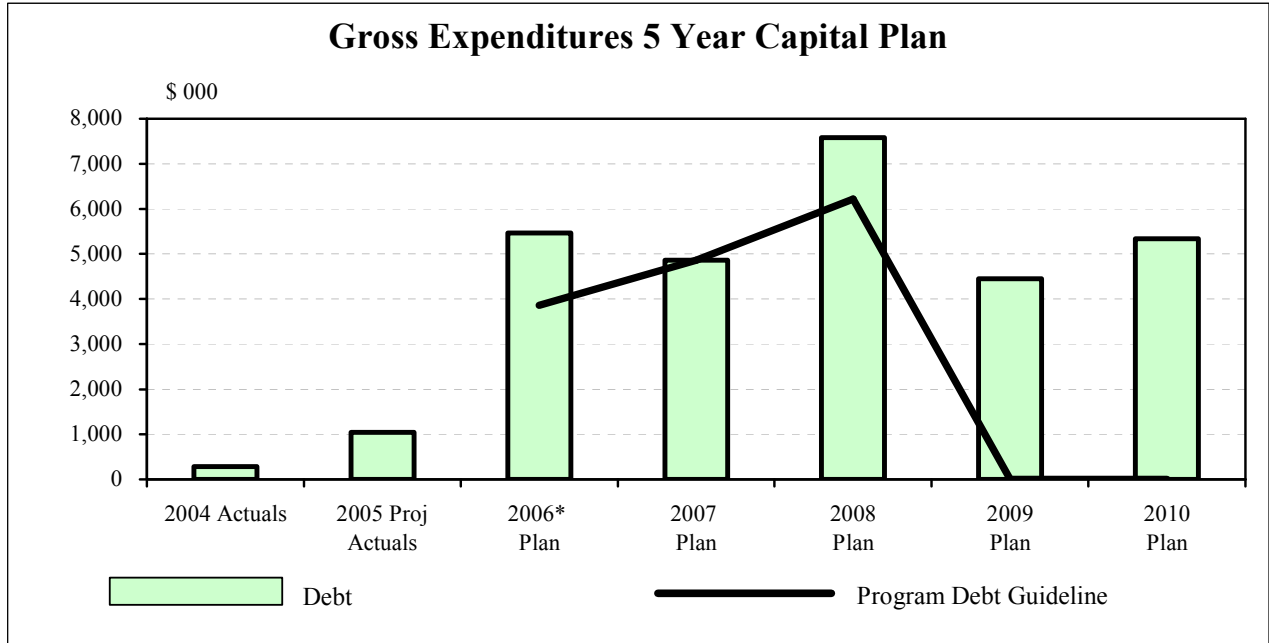
2005 Capital Variance Review

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
7,528	152	2	1,040	14	6,488

Comments / Issues:

- Facilities and Real Estate projects the year-end spending rate for 2005 approved projects at 14% or \$1.040 million, as stated in the September 30, 2005 variance report.
- As stated in the September 30, 2005 variance report, \$6.488 million remains unspent. It is projected that 2005 cash flow funding of \$5.146 million will be carried into 2006. The remaining \$1.342 million of unspent funding consists of three projects that will not proceed in 2006 but will be deferred to future years. They are the exterior façade repairs project at \$0.910 million, the installation of roof anchors at \$0.207 million and York Street expansion joint repairs at \$0.225 million.
- The under spending results from the ongoing negotiations with the Union Pearson Group that have not concluded. Union Station is still in the process of coordinating with GO Transit to complete the expansion joint projects. Other factors include the need for approval from the Toronto Heritage Group before making any repairs to the interior or exterior of the building and delays in tendering. In addition, the Replacement of the York Street Expansion Joints (\$1.082 million) has been delayed in order to co-ordinate with GO Transit’s reconstruction plans.
- The 2006 Proposed Capital Budget does not include any subsequent changes to funding being carried forward from 2005 to 2006 based on the unspent cashflow balance projected as at September 30th, 2005. Adjustments to carryforward funding will be reported through to the Budget Advisory Committee during its review of the 2006 Proposed Capital Budget.

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)	1,305	6,563	3,717	4,857	7,577	4,451	5,337	25,939
1-Yr Carry/Fwd Gross (Reference only)	0	965	1,745					
Sub-Total Gross Exp. Including 1-Yr. Carry/Fwd	1,305	7,528	5,462					
Actuals	276	1,040						
Financing:								
Debt	1,305	2,710	5,462	4,857	7,577	4,451	5,337	27,684
Debt Actuals (including 1-Yr Carry/Fwd)	276	1,040	0					
Program Debt Target			3,866	4,857	6,212	0	0	14,935
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
By Category:								
Health & Safety			3,717	4,088	910	0	0	8,715
Legislative			0	0	0	0	0	0
SOGR			1,745	769	6,667	4,451	5,337	18,969
Service Improvement			0	0	0	0	0	0
Growth Related			0	0	0	0	0	0
Yearly SOGR Backlog Estimate (not addressed by current year projects)			0	0	0	0	0	
Accumulated Backlog Estimate (end of year)			0	0	0	0	0	

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

The 2006 Proposed Capital Budget consists of five carry forward sub-projects and one previously approved sub-project.

Two of the carry forward sub-projects, which consist of the Fire & Life Safety and Various Emergency funds, were debt-funded when approved in 2005 totaling \$1.745 million. At the time of the 2005 budget approval, it was anticipated that three of the sub-projects, which consist of the replacement of skylights, West Window of Great Hall repairs and the replacement of the Front Street Pedestrian Bridge, would be fully recoverable from the Union Pearson Group totaling \$3.401 million. Although negotiations are on-going, it has been deemed prudent to identify the potential full cost to the City should negotiations fail. Therefore, it is proposed that the three sub-projects be funded from debt. This will result in the full project funding for 2006 and the future years shown as fully debt-funded.

Although the proposed spending rate for the project was extremely low in 2005 (14%), it is anticipated that the delayed Health and Safety and State of Good Repair Projects must proceed in 2006.

The 2006 Proposed Capital Budget is slightly lower than the debt target of \$3.866 million. However, the total Revised 5-Year Capital Plan includes debt funding projections of \$27.684 million compared to the 5-Year target of \$14.935 million.

The 2007-2010 cash flow projections of \$4.857 in 2007, \$7.577 in 2008, \$4.451 in 2009 and \$5.337 in 2010 for Union Station need to 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.

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:															
Repair skylights on flat roofs	1	1,259	1,109			316	316			316	316	793	793	1,109	1,109
Replace west window wall of the Great Hall.	1	870	720							0	0	720	720	720	720
Replace pedestrian bridges along Front Street.	1	3,775	3,775							0	0	1,888	1,888	1,888	1,888
Fire & life safety	3	995	995							0	0	995	995	995	995
Emergency repairs.	3	750	750							0	0	750	750	750	750
Sub-Total				0	0	316	316	0	0	316	316	5,146	5,146	5,462	5,462
Previously Approved:															
Sub Total				0	0	0	0	0	0	0	0	0	0	0	0
New and Change in Scope Projects															
Sub Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Submission 2006		0	0	0	0	316	316	0	0	316	316	5,146	5,146	5,462	5,462

- The 2006 Capital Budget Submission consists of 5 carry forward sub-projects and one previously approved sub-project totalling \$5.462 million.

2006 Proposed Capital Budget Changes (\$000s)

		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								
Fire & life safety	3	995	995				995	995
Emergency repairs	3	750	750				750	750
Sub Total		1,745	1,745	0	0		1,745	1,745
2005 Carryforwards (Requiring New Debt)								
Repair skylights on flat roofs	1	793	793				793	793
Replace west window wall of the Great Hall	1	720	720				720	720
Replace pedestrian bridges along Front Street	1	1,888	1,888				1,888	1,888
Sub Total		3,401	3,401	0	0		3,401	3,401
2006 Previously Approved Commitments								
Repair skylights on flat roofs	1	316	316				316	316
Sub Total		316	316	0	0		316	316
New Projects								
Sub Total New Projects		0	0	0	0		0	0
Total 2006 Proposed (Incl. 2005 C/Fwd)		5,462	5,462	0	0		5,462	5,462
Less 2005 Carry Forwards		(5,146)	(5,146)	0	0		(5,146)	(5,146)
Total 2006 Proposed (Excl. 2005 C/Fwd)		316	316	0	0		316	316

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

	2005 Carry Forward (Requiring New Debt)	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	3,401	316	0	3,717	3,866	1,745	5,462	4,288	3,000	0	0	0	12,750
Change in Scope													
New													
New w/Future Year													
Total Expenditure	3,401	316	0	3,717	3,866	1,745	5,462	4,288	3,000	0	0	0	12,750
Financing													
Debt	3,401	316	0	3,717	3,866	1,745	5,462	4,288	3,000	0	0	0	12,750
Subsidy (SCPI)													
Prov. Subsidy/Grant													
Development Charges													
Other													
Federal Grants													
Reserves/Res Funds													
Total Financing	3,401	316	0	3,717	3,866	1,745	5,462	4,288	3,000	0	0	0	12,750

Comments / Issues:

- The 2006 Proposed Cash Flow consists of \$0.316 million in funding for previously approved commitments and \$5.146 million for projects carried forward from 2005 into 2006. Of the \$5.146 million in carry forwards, only \$1.745 million had been approved with debt funding. The remaining \$3.401 million reflects new debt.
- Approval of the 2006 Proposed Capital Budget will result in a commitment of \$4.288 million in 2007 and \$3.000 million in 2008 which will encumber the following year's spending. The 2007 commitment is for the replacement of a pedestrian bridge along Front Street at a cost of \$1.887 million, the replacement of a York Street expansion joint at a cost of \$2.201 million and for copper roof repairs at a cost of \$0.200 in 2007 and \$2.090 in 2008. The 2008 commitment also includes exterior façade repairs to Union Station at a cost of \$0.910 million.

Operating Budget Impact

Incremental Operating Budget Summary

Program Incremental Operating Costs

The 2006 Proposed Capital Budget will not have any incremental impacts in 2006 or future years' Program Operating Budget.

Incremental Operating Budget Impact	2006	2007	2008	2009	2010
Program Costs (net) (\$000s)	0.000	0.000			
Debt Service Charges (\$000s)	111.5	531.5	539.7	330.0	0.0
Approved Positions	0.000				

Debt Service Cost

The 2006 Proposed Capital Budget for Union Station will result in new debt service costs of \$0.112 million in 2006 and the incremental cost of \$0.532 million in 2007, \$0.540 million in 2008 and \$0.330 million in 2009.

Debt service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 3.0% in Year 1, and 14% in subsequent years.

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

The 2006 Proposed Capital Budget requires \$3.717 million debt which is \$0.149 million under the debt affordability guideline of \$3.866 million.

5 Year Capital Plan Overview

A Revised 5-Year Capital Plan has been identified for Union Station requiring \$5.462 million in 2006, \$4.857 million in 2007, \$7.577 million in 2008, \$4.451 million in 2009 and \$5.337 million in 2010, totalling \$27.684 million.

The current program responds to known State of Good Repair and Health & Safety issues in the near future.

The projects included in the 5-Year Capital Plan include the replacement of a pedestrian bridge along Front Street at a cost of \$1.888 million. The bridge is deteriorating rapidly and requires immediate attention. Work on the west window wall of the Great Hall requires reinforcement to the wall that surrounds the large window at a cost of \$0.720 million. The replacement of skylights on the flat roof project is required to enhance the current lighting and to reinforce the skylights that are currently secured to the roofing structures at a cost of \$1.109 million. At the time of the 2005 budget approval, it was anticipated that these three sub-projects would be fully recoverable by the Union Pearson Group. It was decided that the funding be converted to debt given the current negotiations with the Union Pearson Group fail. This will result in the full project funding for 2006 and the future years will be identified as fully debt-funded.

The 2006 Proposed Capital Budget is \$0.149 million lower than the debt target of \$3.866 million. The 5-Year target includes debt funding projections of \$14.935 million compared to the total Revised 5-Year Capital Plan of \$27.684 million.

The Revised 5-Year Capital Plan will be referred to the Deputy City Manager & Chief Financial Officer for review, in consultation with appropriate staff, to 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.

Revised 5-Year Plan Changes (\$000)

Project / Sub-Project Name	Cat	2006		2007		2008		2009		2010		TOTAL 2011-2015		Comments / Issues
		Gross 1	Debt/ Internal Sources 2	Gross 3	Debt/ Internal Sources 4	Gross 5	Debt/ Internal Sources 6	Gross 7	Debt/ Internal Sources 8	Gross 9	Debt/ Internal Sources 10	Gross 11	Debt/ Internal Sources 12	
PROGRAM REQUEST		5,462	5,462	4,857	4,857	7,577	7,577	4,451	4,451	5,337	5,337	5,527	5,527	
Proposed 2006 Changes		0	0	0	0	0	0	0	0	0	0	0	0	
PROPOSED CHANGES: 2004 Carry Forwards:														
Previously Approved:														
New:														
Sub-Total Proposed Changes		0	0	0	0	0	0	0	0	0	0	0	0	
Proposed 5-Yr. Cash Flow		5,462	5,462	4,857	4,857	7,577	7,577	4,451	4,451	5,337	5,337	5,527	5,527	
Debt Guideline		3,866	3,866	4,857	4,857	6,212	6,212	0	0	0	0			
Variance To Debt Guideline			1,596		0		1,365	4,451		5,337				

Capacity

Facilities & Real Estate projects the year-end spending rate for 2005 approved projects at 14% in its September 30, 2005 Variance Report. Current project delays are due to the pending lease agreement negotiations between the City and the Union Pearson Group. It is anticipated that the planned health & safety and the state of good repair work must proceed in 2006 regardless of the status of the negotiations.

Backlog of Projects – Unmet Needs

Currently, ongoing maintenance and health and safety items are being sustained. It is anticipated that a full listing of backlogged projects will be provided following finalization of the lease agreement between the Union Pearson Group and the City.

Strategic Direction

The City's objective is to revitalize the Station by enlisting a private sector partner to restore, develop and operate Union Station.

The City of Toronto is seeking to preserve Union Station's remarkable architecture, engineer an efficient transportation hub to increase commuter capacity, facilitate smart growth, reduce regional gridlock and to bring heritage, transportation and plans for revitalization together in a proven model for long-term success.

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.

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

(Not Applicable)