

Analyst Briefing Notes

Budget Committee Review

(October 29, 2007)

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PART I: CAPITAL PROGRAM**Executive Summary**

- The 2007 Approved Capital Budget of \$5.299 million was \$0.806 million or 15.2% spent as at June 30th, 2007. Projected actual spending to year-end is anticipated to be \$1.214 million or 22.9% of the 2007 Approved Capital Budget. The 2007 under-spending is mainly due to:
 - start-up delays caused by extra time required to finalize a firm contract with a selected vendor,
 - deferrals due to reallocation of staff resources to support other high priority projects, and
 - cancellation of a portion of capital work as it was deemed not technically viable.
- The 2008 Recommended Capital Budget; 2009 to 2012 Plan and 2013 to 2017 estimates total \$6.374 million. The recommended cash flow does not go beyond 2012. Additional future year capital requirements are dependent upon several factors: potential consolidation of South District Court Operations, funding availability and identification of technological requirements.
- The Recommended 5-Year Capital Plan, including carry forward funding from 2007 to 2008 totals \$9.474 million with 2008 cash flow of \$5.149 million, \$2.675 million in 2009, \$0.700 million in 2010 and \$0.950 million in 2011.
- The Program's 5-Year Capital Plan provides \$6.492 million for continuation of technology application upgrades and renovations to Courthouse South Facilities in the amount of \$2.982 million. The Program is fully funded from the Provincial Offences Courts Stabilization Reserve Fund.
- The 2008 Recommended Capital Budget is 100% allocated to Legislated projects.
- The 2008 Recommended Capital Budget is comprised of previously approved projects with a 2008 cash flow of \$2.049 million and 2009 commitments of \$2.425 million.
- The 2008 Recommended Capital Budget provides funding for technological requirements and facility renovations:
 - \$0.592 million to complete the replacement of Audio Cassette recording technology with a Digital technology system;
 - \$2.000 million to commence development of a POA Court Case Management Application System for completion in 2009 with a future year commitment of \$2.000 million; and
 - \$2.557 million with a future year commitment of \$0.425 million to continue the on-going renovations to the South District Courthouse Facilities at Old City Hall for completion in 2009.
- Court Services has no backlog of state of good repair requirements.

Recommendations

The City Manager and Chief Financial Officer recommend that:

- (1) the 2008 Recommended Capital Budget for Court Services with a 2008 cash flow of \$5.149 million and future year commitments of \$2.425 million be approved. The 2008 Recommended Capital Budget consists of the following:
 - (a) New Cash Flow Funding for:
 - (i) 2 previously approved sub-projects with a 2008 cash flow of \$1.275 million and a future year commitment of \$2.425 million in 2009; and
 - (ii) 2 previously approved projects with carry forward funding from 2006 requiring 2008 cash flow of \$0.774 million that require Council to reaffirm its commitment; and
 - (b) 2008 approved cash flow for 2 previously approved sub-projects with carry forward funding from 2007 into 2008 totalling \$3.100 million;
- (2) the 2009-2012 Capital Plan for Court Services totalling \$4.325 million in project commitments and estimates, comprised of \$2.675 million in 2009, \$0.700 million in 2010, and \$0.950 million in 2011 be approved;
- (3) the Director of Court Services review the current policy of contributing net operating revenues in excess of \$8.5 million to the Provincial Offences Courts Stabilization Reserve Fund and report to Budget Committee prior to the 2009 Capital Budget process; and
- (4) the Director of Court Services review future year additional capital requirements and report to Budget Committee prior to the 2009 Capital Budget process.

2007 Capital Variance Review

| 2007 Budget to Actuals Comparison - Total Gross Expenditures (\$000s) | | | | | |
|---|---|---------|-------------------------------|---------|------------|
| 2007 Approved | Actuals as of June 30 (2nd Qtr Variance) | | Projected Actuals at Year End | | Balance |
| \$ | \$ | % Spent | \$ | % Spent | \$ Unspent |
| 5,299 | 806 | 15 | 1,214 | 23 | 4,085 |

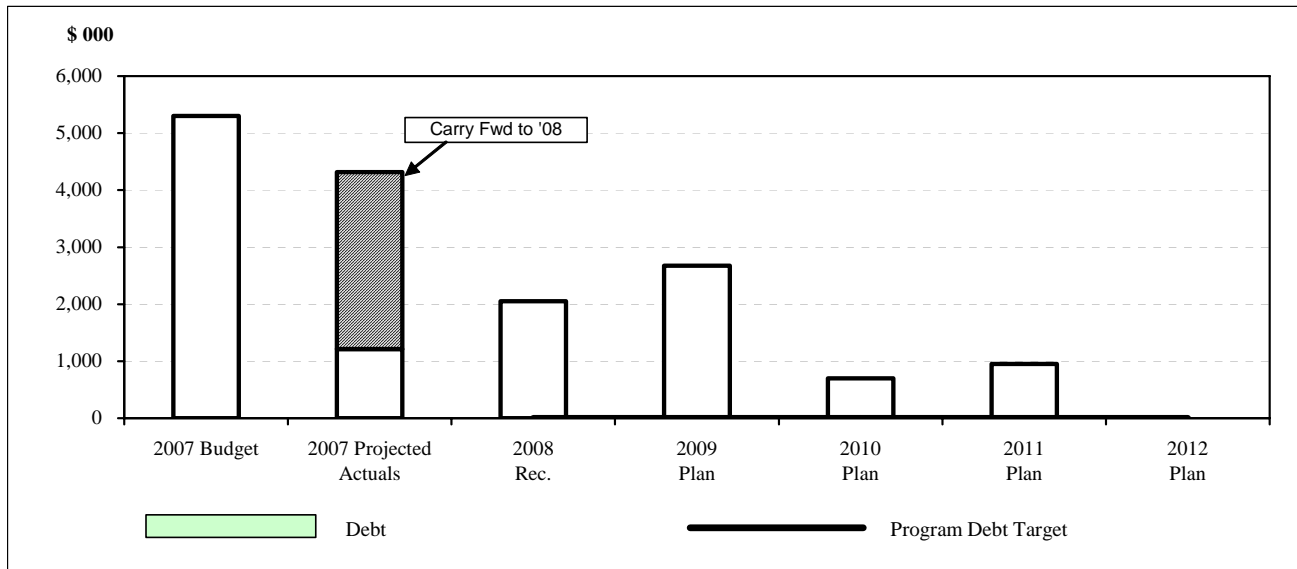
Comments / Issues:

- At the end of June 30, 2007, Court Services spent \$0.806 million or 15.2% of its 2007 approved cash flow budget of \$5.299 million. Under spending is due to:
 - The delay in the commencement of the Provincial Offences Act (POA): Phase 1 resulting in an under-spending of \$0.592 million due to extended time required for contract finalization with the selected vendor. The installation work will commence in the fourth quarter and continue into 2008 for total implementation.
 - The deferral of POA Phase 2 resulting in underspending of \$2.0 million as a result of the redeployment of staff resources to support other high priority projects.
 - Renovations of leased offices to accommodate the space required for administering the service and renovations to add one courtroom inside Old City Hall will be completed by year end representing 33.3 % completion. Refurbishing courtrooms and office space improvements inside Old City Hall has been delayed until 2008 due to an unforeseen electrical capacity problem.
 - The establishment of additional secure space within the 1530 Markham Road court office is complete and it represents 43.9% completion of the Courthouse Facility Renovation work at the East District. This sub-project has been recommended to be closed since the remaining capital work related to the construction of a sally port is not technically viable. This will result in an under-spending of \$0.211 million.
- Court Services' projected year-end spending for 2007 is \$1.214 million or 22.9% and represents an improvement over the 15.4% spending rate achieved in 2006. The Program has no cost containment deferrals that impact the spending rate.
- The recommended carry forward funding included in the 2008 Recommended Capital Budget is \$3.1 million and is lower than the year-end projected under-expenditures of \$4.085 million, identified in the 2nd quarter variance report. Any adjustments will be reported to Budget Committee.

Cost Containment Impact

No capital projects were deferred as a result of the City's cost containment initiative.

5-Year Capital Plan (2008 Recommended Budget, 2009 – 2012 Plan)



| | | 5-Year Plan | | | | | |
|--|--------------|-------------|------------------|--------------|------------|------------|----------|
| | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| | | Budget | Projected Actual | | | | |
| Gross Expenditures: | | | | | | | |
| 2007 Capital Budget & Future Year Commitments | 5,299 | 1,214 | 4,049 | 425 | | | 4,474 |
| Recommended Changes to Commitments | | | (2,000) | 2,000 | | | 0 |
| 2008 New/Change in Scope and Future Year Commitments | | | | | | | 0 |
| 2009 - 2012 Plan Estimates | | | | 250 | 700 | 950 | 1,900 |
| 1-Year Carry Forward to 2008 | | 3,100 | | | | | |
| Total Gross Annual Expenditures & Plan | 5,299 | | 2,049 | 2,675 | 700 | 950 | 0 |
| Program Debt Target | 0 | | 0 | 0 | 0 | 0 | 0 |
| Financing: | | | | | | | |
| Recommended Debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing Sources: | | | | | | | |
| Reserves/Reserve Funds | 5,299 | 0 | 2,049 | 2,675 | 700 | 950 | 6,374 |
| Development Charges | | | | | | | 0 |
| Federal | | | | | | | 0 |
| Provincial | | | | | | | 0 |
| Other Revenue | | | | | | | 0 |
| Total Financing | 5,299 | 0 | 2,049 | 2,675 | 700 | 950 | 0 |
| By Category: | | | | | | | |
| Health & Safety | | | | | | | |
| Legislated | 5,299 | 0 | 2,049 | 2,675 | 700 | 950 | 6,374 |
| SOGR | | | | | | | 0 |
| Service Improvement | | | | | | | 0 |
| Growth Related | | | | | | | |
| Total By Category | 5,299 | 0 | 2,049 | 2,675 | 700 | 950 | 0 |
| Yearly SOGR Backlog Estimate (not addressed by current plan) | | | | | | | |
| Accumulated Backlog Estimate (end of year) | | | | | | | |
| Operating Impact on Program Costs | | | 0 | 0 | 0 | 0 | 0 |
| Debt Service Costs | | | 0 | 0 | 0 | 0 | 0 |

* Note that the 1-Year Carry Forward reflects the latest estimate as used in the 2007 2nd Quarter Capital Variance Report.

5-Year Capital Plan Overview

Overview

The Court Services' 5-Year Plan has been developed to emphasize the City's responsibility to provide well secured courthouse facilities with adequate space and suitable technological infrastructure. The Plan total of \$6.374 million includes carry forward funding of \$0.774 million for two 2006 projects, thereby requiring Council's reaffirmation for the projects. All recommended projects are in accordance with the Provincial Offences Act and the Memorandum of Understanding between the City of Toronto and the Ministry of the Attorney General and deemed Legislated. The Recommended 5-Year Capital Plan is fully funded by the Provincial Offences Courts Stabilization Reserve Fund.

Court Services' Recommended 2008-2012 Capital Plan of \$6.374 million, excluding one-year carry forward funding, provides \$3.7 million for continuing previously approved projects (commitments), and the initiation of a new project in 2009 at a total cost of \$1.9 million.

- **POA Application: Phase 1 – Audio Cassette Replacement**

This previously approved project, that requires 2006 carry forward funding of \$0.592 million, will complete the replacement of the current old and obsolete Audio Cassette recording equipment with Digital recording technology in 2008.

- **POA Application: Phase 2 – Court Case Record Management System**

The Provincially owned and managed ICON (Integrated Court Offences Network) application system is currently in use by all Ontario Provincial Offences Courts, including the Toronto Court Services. However, the system is outdated, slow and does not have the necessary features for the effective management of the large volume of caseload in the Toronto courts. This previously approved sub-project, with a total 2007 project cost of \$4.0 million, is for the development/installation of a computerized court case management system in accordance with City standards and specifications with capabilities to interface with the Icon application system and the Parking Tag Management System (PTMS). In addition, the system will support new processes available under the City of Toronto Act, provide more efficient service delivery processes, including scheduling of trials and hearings, and improve the collection of fines. The commencement of this project is deferred from 2007 to 2008 and is scheduled for completion in 2009, with cash flows of \$2.0 million in each of 2008 and 2009.

- **POA Application: Phase 3 –System Sustainment and Hardware Upgrade**

This new sub-project with a 2009 Project Cost of \$1.900 million and a projected cash-flow of \$0.250 million in 2009, \$0.700 million in 2010 and \$0.950 million in 2011 is required to sustain the POA Court Case Record Management System and Hardware upgrade and replacement of equipment that will retire in 4-5 years.

- **Courthouse Facilities Renovation – South District**

This previously approved sub-project will complete the renovation work at Old City Hall in 2009.

Multi-Year Debt Affordability Target

All projects in the recommended 2008-2012 Capital Plan are fully funded by the Provincial Offences Courts Stabilization Reserve Fund. As a result, there are no set debt affordability targets for Court Services. The Courts Stabilization Reserve Fund, created in 2001 when the City assumed responsibility for managing the POA Courts, is the only funding source for Court Services' capital projects. The Reserve Fund withdrawals for the Recommended 5-Year Capital Plan will result in the near depletion of this Reserve Fund by 2011, leaving a balance of \$1.154 million to spend on any other capital needs in 2012 (currently not identified). Thus, any long term funding pressures beyond 2012 for any new projects that are unforeseen at present will require debt funding.

Recommended Changes to the 2007 – 2011 Capital Plan

- Deferral of the POA Application Development (Phase 2) with a 2007 carry forward cash flow of \$2.0 million into 2008 resulted in the deferral of Previously Approved Commitments of \$2.0 million from 2008 to 2009.
- The commencement of the POA Sustainment and Hardware Upgrade Project with a 2008 project cost of \$1.9 million is being deferred from 2008 to 2009, with projected cash-flows of \$0.250 million in 2009, \$0.700 million in 2010 and \$0.950 million in 2011.

Program Capacity and Readiness to Proceed

The 5-Year Capital Plan is essentially comprised of ongoing previously approved projects and the Program is working closely with service providers (e.g. legal support from Legal Services, consulting support from Information & Technology, project support from Facilities and Real Estates) to meet the project targets.

Backlog of Projects – Unmet Needs

The Program has no backlog of state of good repair projects.

Summary of Major Capital Initiatives

| | \$000s | | | | | | |
|--|---------------------|--------------|--------------|--------------|--------------|---------------------|---------------------|
| | 2008 Rec. Budget | 2009 Plan | 2010 Plan | 2011 Plan | 2012 Plan | Total 2008 -2012 | Total 2013 -2017 |
| Facilities Projects: New and Expanded | 2,557 | 425 | | | | | 2,982 |
| IT sub-projects | 2,592 | 2,250 | 700 | 950 | | | 6,492 |
| Total | 5,149 | 2,675 | 700 | 950 | 0 | 0 | 9,474 |
| Other Major City Initiatives: | | | | | | | |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Facilities Projects:

Funds in the amount of \$2.982 million are allocated to the South Courthouse Facility Renovation project that commenced in 2006. This is an on-going project and the renovations to seven courtrooms and office space improvements inside Old City Hall are targeted for completion in 2009.

IT sub-projects:

Included in the Court Services Capital Plan are projects for:

- the replacement of old and obsolete Audio Cassette recording equipment with modern Digital equipment technology will commence in the fourth quarter of 2007 for completion in 2008.
- commencement of the development of a new POA Court Case Management System that was scheduled to commence in 2007 has been deferred to 2008 for completion in 2009, and
- the POA Application Sustainment and Hardware Upgrade/Replacement project will commence by mid-year 2009 and is scheduled for completion in 2011.

Program Operating Impacts

The Recommended 5-Year Plan has no impact on the Operating Budget.

**Total 2008 Recommended Cash Flow & Future Year Commitments
(\$000s)**

| | 2006 & Prior Year Carry Forwards | 2008 Previously Approved Cash Flow Commitments | 2008 New Cash Flow Recommended | 2008 Total Cash Flow Recommended | 2008 Debt Target | 2007 Carry Forwards | Total 2008 Cash Flow (Incl 2007 C/Fwd) | 2009 | 2010 | 2011 | 2012 | 2013- 2017 | Total Cost |
|--------------------------|--|---|--------------------------------------|--|---------------------|------------------------|---|--------------|----------|----------|----------|---------------|--------------|
| Expenditures | | | | | | | | | | | | | |
| Previously Approved | 774 | 1,275 | | 2,049 | | 3,100 | 5,149 | 2,425 | | | | | 7,574 |
| Change in Scope | | | | | | | | | | | | | |
| New | | | | | | | | | | | | | |
| New w/Future Year | | | | | | | | | | | | | |
| Total Expenditure | 774 | 1,275 | 0 | 2,049 | | 3,100 | 5,149 | 2,425 | 0 | 0 | 0 | 0 | 7,574 |
| Financing | | | | | | | | | | | | | |
| Debt | | | | | | | | | | | | | |
| Subsidy (SCPI) | | | | | | | | | | | | | |
| Prov. Subsidy/Grant | | | | | | | | | | | | | |
| Development Charges | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | |
| Federal Grants | | | | | | | | | | | | | |
| Reserves/Res Funds | 774 | 1,275 | 0 | 2,049 | | 3,100 | 5,149 | 2,425 | | | | | 7,574 |
| Total Financing | 774 | 1,275 | 0 | 2,049 | | 3,100 | 5,149 | 2,425 | 0 | 0 | 0 | 0 | 7,574 |

Comments / Issues:

- Approval of the 2008 Recommended Capital Budget will result in a future year commitment totalling \$2.425 million in 2009, comprised of \$2.0 million for the POA Court Case Management Application System Development; and \$0.425 million to complete the Courthouse facility renovation work at Old City Hall.
- The 2008 Recommended Capital Budget and the future year commitments will be fully funded by the Provincial Offences Courts Stabilization Reserve Fund.

2008 Recommended Capital Budget**2008 Recommended Capital Budget versus Debt Target**

The 2008 recommended Capital Budget for Court Services is fully funded by the Provincial Offences Courts Stabilization Reserve Fund.

Recommended Capital Budget by Category

100% of the 2008 Recommended Capital Budget is allocated to projects that are deemed Legislated.

PART II: ISSUES FOR DISCUSSION**5-Year Capital Plan Issues****Future Year Targets/Court Stabilization Reserve Fund**

Approval of the Recommended 5-Year Capital Plan will almost deplete the Court Stabilization Reserve Fund that has a 2007 projected year-end balance of \$11.842 million, leaving a balance of \$1.154 million at the end of 2011 to spend on any other capital needs that are unknown at this time. Thus, any additional capital requirements for projects not anticipated currently may need to be debt funded. Alternatively, options to contribute to the Reserve may provide future capital funding.

Currently, a policy exist that net revenues that exceed \$8.5 million in any year, as a result of on-going operations, should be contributed to the Reserve Fund. To date, no excess revenues have been identified. Lowering the threshold may provide an opportunity to fund future year capital requirements. Given the potential for future year needs, it is recommended that the Director of Court Services review this policy and report back to Budget Committee prior to the 2009 operating budget process.

Consolidation of South District Court Operations

The Program is working towards finding a site in the South district that permits the consolidation of administration services and trial courts into one location to remedy public service inefficiencies. Renovation and or relocation costs may be identified. It is recommended that the Director of Court Services report back to the Budget Committee prior to the 2009 capital budget process with a firm 2009 – 2013 5-Year Capital Plan.

Appendix 1

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

Appendix 2

**2008 Recommended Cash Flow
& Future Year Commitments**

Appendix 3
2008 Recommended Capital Projects
with Financing Details

Appendix 4

Reserve / Reserve Fund Review

(\$000s)

| Reserve / Reserve Fund Name | Project / SubProject Name and Number | 2007 Projected Withdrawals | Proposed Withdrawals | | | | |
|---|--|----------------------------|----------------------|--------------|--------------|--------------|--------------|
| | | | 2008 | 2009 | 2010 | 2011 | 2012 |
| XR1704 Provincial Offences Court Stabilization RF | Beginning Balance at January 1, 2007 | 11,842 | | | | | |
| | TCS906629 POA Application Development: Phase - 1 Audio Cassette Replacement | (408) | (592) | | | | |
| | TCS906629 POA Application Development: Phase - 2 Development of Court Case Management System | | (2,000) | (2,000) | | | |
| | TCS906629 POA Application: Phase 3- Application Sustainment & Hardware Upgrade | | | (250) | (700) | (950) | |
| | TCS906884 Courthouse Facility Renovation - South District | (641) | (2,557) | (425) | | | |
| | TCS906884 Courthouse Facility Renovation - East District | (165) | | | | | |
| | Total Proposed Withdrawals | (1,214) | (5,149) | (2,675) | (700) | (950) | |
| TOTAL RESERVE FUND BALANCE AT YEAR-END | | 10,628 | 5,479 | 2,804 | 2,104 | 1,154 | 1,154 |