

# **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 \$18.4 million was 17% spent as at June 30, 2007. Actual expenditures by year-end are projected to be \$13.3 million, or 72% of the 2007 Approved Budget, resulting in 2007 cash flow funding of \$4.6 million to be carried forward into 2008. Under spending is mainly due to extended legal reviews for both the Todmorden Mills and Fort York Restoration projects, technical design difficulties for the BIA Streetscape project, prolonged negotiations with the funding partner for Canada's Walk of Fame project and a film shoot causing delay of the Brickworks roof project.
- The 5-Year Capital Plan, including carry forward funding from 2007 to 2008, totals \$68.834 million with 2008 cash flow of \$15.941 million; \$12.119 million in 2009; \$14.942 million in 2010; \$13.366 million in 2011 and \$12.466 million in 2012.
- The 2008 Recommended Capital Budget and 2009 to 2012 Capital Plan calls for a total debt of \$40.5 million. The Plan exceeds Economic Development Culture and Tourism's aggregate debt target of \$40.2 million by \$0.3 million. This overage is due to the addition of \$0.3 million 2006 funding being carried forward to 2008 for the Brickworks roof project delay. Aside from this project, the recommended annual debt allowance for the Program matches its yearly debt targets for 2008-2012.
- The Recommended 5-Year Capital Plan, excluding one-year carry forward funding, totals \$64.2 million of which 47% (\$30.3 million) is allocated to State of Good Repair (SOGR) projects and 38% (\$24.4 million) to Service Improvement (SI) and Growth-Related (GR) initiatives. The latter is largely driven by the planned design and construction of New Buildings at Fort York (\$10.6 million) and the Guild Revitalization Project (\$3.5 million).
- Based on those assets that have been audited to date, the Program's SOGR backlog was estimated to be \$68.0 million by the end of 2007 and is estimated to be \$50.8 million by 2012, a 25% decrease over 5 years, given the SOGR funding in the 2008 Recommended Capital Budget. SOGR backlog reductions are attributed to the success of reducing SOGR for unoccupied buildings through private sector partnership arrangements such as the Evergreen agreement.
- Approval of the Recommended 5-Year Capital Plan will have an incremental operating cost impact on future Operating Budgets however, none have been identified. The operating impact of the Fort York Adding New Buildings project will be included in the Program's 2009 Capital Budget submission.

- The primary issues in the Recommended 5-Year Capital Plan are:
  - unsustainable BIA project funding;
  - need for an alternative strategy for development of the Guild Site;
  - operating impacts of major facility development;
  - findings of the Waterfront Museum feasibility study; and
  - status of the partnership agreement for the development of Canada's Walk of Fame.
- The 2008 Recommended Capital Budget for Economic Development Culture and Tourism, excluding funding being carried forward from 2007 to 2008, is \$11.3 million. This includes \$0.4 million for projects carried forward from 2006, \$2.5 million for projects previously approved for 2008 and \$8.4 million for new initiatives.
- The 2008 Recommended Capital budget also requires future year commitments totalling \$1.6 million.
- The 2008 Recommended Capital Budget, which exceeds the Program's \$7.2 million debt target by \$0.3 million due to the funding of the Brickworks Project, allocates \$6.7 million (59%) to SOGR work, \$1.0 million (11%) to Health and Safety and \$2.7 million (24%) to Service Improvements
- The 2008 Recommended Capital Budget will enable the following:
  - continuation of the BIA Streetscape Improvement Program;
  - continuation of the Restoration of Casa Loma;
  - continuation of the revitalization of the Guild Site;
  - continuation of the Restoration of John Street Roundhouse; and
  - planning for New Buildings at Fort York.
- The General Manager of EDCT will report on a strategy for managing the growing unfunded demand for the BIA Streetscape Improvement Program within debt affordability limits before the 2009 Budget Cycle, including any impact arising from EDCT's Program Review recommendations.

### **Recommendations**

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Capital Budget for Economic Development, Culture and Tourism with a total project cost of \$10.015 million and a 2008 cash flow of \$15.941 million and future year commitments of \$1.638 million be approved. The 2008 Recommended Capital Budget consists of the following:
  - a) New Cash Flow Funding for:
    - i) 30 new sub-projects with a 2008 total project cost of \$10.015 million that requires cash flow of \$8.377 million in 2008 and a future year commitment of \$1.638 million in 2009;
    - ii) 11 previously approved sub-projects with a 2008 cash flow of \$2.499 million;
    - iii) 2 sub-projects from previously approved projects with carry forward funding from 2006 requiring 2008 cash flow of \$0.416 million, which forms part of the affordability target that requires Council to reaffirm its commitment; and
  - b) 2007 approved cash flow for 16 previously approved sub-projects with carry forward funding from 2007 into 2008 totalling \$4.649 million;
2. new debt service costs of \$0.226 million in 2008 and incremental costs of \$0.879 million in 2009 and \$0.180 million in 2010 resulting from the approval of the 2008 Recommended Capital Budget, be approved for inclusion in the 2008 and future year operating budgets;
3. all sub-projects with third-party financing be approved conditionally, subject to the receipt of such funding during 2008 and if such financing is not forthcoming, their priority and funding be reassessed by City Council relative to other City-financed priorities and needs;
4. the 2009-2012 Capital Plan for Economic Development, Culture and Tourism totalling \$52.893 million in project commitments and estimates, comprised of \$12.119 million in 2009; \$14.942 million in 2010; \$13.366 million in 2011; and \$12.466 million in 2012, be approved;
5. Economic Development, Culture and Tourism identify and submit to the Chief Financial Officer by June 2008 the full operating impacts for all projects in its Recommended 5-Year Capital Plan; and
6. the General Manager of EDCT is requested to review the eligibility guidelines and the procedures for reviewing and approving requests for the BIA Streetscape Improvement Program, the Commercial Façade Improvement Program and the Employment Revitalization Program, and report back by June 2008, on a strategy for managing the growing unfunded demand for the three capital programs within debt affordability limits, including any impacts resulting from recommendations arising from EDCT's Program Review.

## 2008 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
18,434	3,327	18	13,254	72	5,180

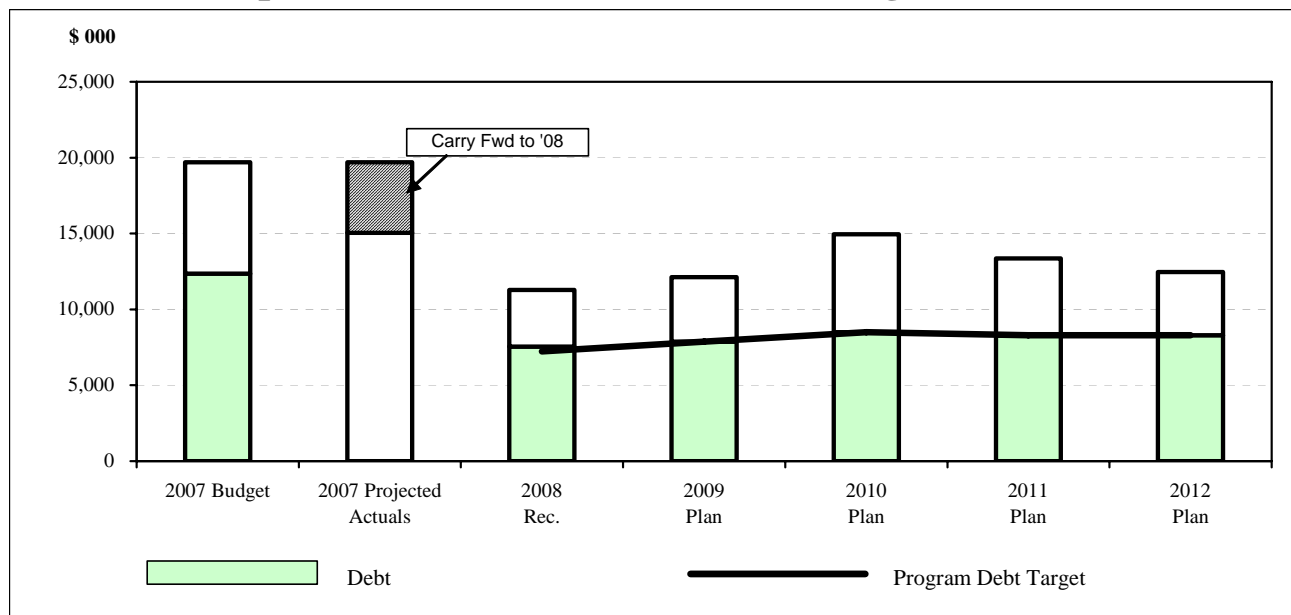
### Comments / Issues:

- At June 30, 2007 Economic Development, Culture and Tourism had spent approximately \$3.327 million or 18% of its 2007 Approved Capital Budget of \$18.434 million. Under spending is mainly due to:
  - construction cost savings for the 2007 phase of the Casa Loma project;
  - extended legal reviews for both the Todmorden Mills and Fort York Restoration projects;
  - technical design difficulties for the Bloor West Village BIA Streetscape project;
  - prolonged negotiations with the funding partner for the Canada's Walk of Fame project; and
  - delay of the Brickworks project due to a film shoot.
- Economic Development Culture and Tourism's projected year-end spending is \$13.254 million or 72% of the 2007 Approved Capital Budget. This is inline with a 71% spending rate achieved in 2006.
- The request for carry forward funding included in the 2008 Capital Budget submission is \$4.649 million. As identified in the June 30th variance report, carry forward funding is required for the following projects:
  - Phase 5 of the Casa Loma Restoration project was completed under the planned budget, savings will be carried forward for Casa Loma Restoration in 2008.
  - Construction bids for the Chinese Gateway project exceeded the \$0.650 million budget and the project is being redesigned for tender in the Fall of 2007 with work to begin in 2008.
  - Negotiations with Canada's Walk of Fame (CWOFF) have been delayed as a result of CWOFF's request to expand the scope of the partnership beyond that authorized by City Council.
  - A movie shoot at Don Valley Brickworks delayed completion of roof repair in 2007. Culture deferred the work planned for the Fall of 2007 to Spring 2008, resulting in \$0.317 million being carried forward from 2006 to 2008. Since this was a 2 year carry forward it required new debt funding for 2008.

### Cost Containment Impact

- No capital projects were deferred as cost containment measures.

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



		5-Year Plan						
		2007	2008	2009	2010	2011	2012	2008-2012
		Budget	Projected Actual					
<b>Gross Expenditures:</b>								
2007 Capital Budget & Future Year Commitments	19,696	15,047	2,499					2,499
Recommended Changes to Commitments			416					416
2008 New/Change in Scope and Future Year Commitments			8,377	1,638				10,015
2009 - 2012 Plan Estimates				10,481	14,942	13,366	12,466	51,255
1-Year Carry Forward to 2008		4,649						
<b>Total Gross Annual Expenditures &amp; Plan</b>	<b>19,696</b>	<b>19,696</b>	<b>11,292</b>	<b>12,119</b>	<b>14,942</b>	<b>13,366</b>	<b>12,466</b>	<b>64,185</b>
<b>Program Debt Target</b>	<b>11,102</b>		<b>7,228</b>	<b>7,869</b>	<b>8,488</b>	<b>8,300</b>	<b>8,300</b>	<b>40,185</b>
<b>Financing:</b>								
Recommended Debt	12,364		7,545	7,869	8,488	8,300	8,300	40,502
<b>Other Financing Sources:</b>								
Reserves/Reserve Funds	3,287		1,470	2,015	1,100	850	1,700	7,135
Development Charges								0
Federal	24		115	150	2,500	2,000		4,765
Provincial			115	150	425			690
Other Revenue	4,021		2,047	1,935	2,429	2,216	2,466	11,093
<b>Total Financing</b>	<b>19,696</b>		<b>11,292</b>	<b>12,119</b>	<b>14,942</b>	<b>13,366</b>	<b>12,466</b>	<b>64,185</b>
<b>By Category:</b>								
Health & Safety	5,212		1,062	2,975	1,850	1,400	2,000	9,287
Legislated	54		50	50		50		150
SOGR	10,098		6,692	5,708	5,906	6,155	5,860	30,321
Service Improvement	2,687		2,739	2,436	6,886	5,461	4,306	21,828
Growth Related	1,645		749	950	300	300	300	2,599
<b>Total By Category</b>	<b>19,696</b>		<b>11,292</b>	<b>12,119</b>	<b>14,942</b>	<b>13,366</b>	<b>12,466</b>	<b>64,185</b>
Yearly SOGR Backlog Estimate (not addressed by current plan)			(25,950)	2,065	2,112	2,078	2,580	(17,115)
Accumulated Backlog Estimate (end of year)		68,000	42,050	44,115	46,227	48,305	50,885	50,885
<b>Operating Impact on Program Costs</b>			Not Available					
<b>Debt Service Costs</b>			226	1,017	940	1,183	1,162	4,528

\* Note that the 1-Year Carry Forward reflects the budget submission as included in CAPTOR

## **5-Year Capital Plan Overview**

### **Overview**

- The recommended 5-Year Capital Plan for Economic Development, Culture and Tourism for 2008-2012 supports Culture's requirements for the 69 heritage and culture facilities and allows Economic Development to address the 2008 demand for funding partnerships with the BIAs.
- Economic Development Culture and Tourism's 2008-2012 Capital Plan calls for \$64.185 million in funding, excluding one-year carry forwards. The 2008 Recommended Capital Budget exceeds the Program's \$7.2 million debt target by \$0.3 million due to the funding of the Brickworks roof repair project (delayed by a film shoot). The debt targets are achieved for each year of the last four years of the 5-Year plan, 2009-2012. Total debt funding for the 5-Year Capital Plan is \$40.5 million. The Recommended 5-Year cash flow includes \$11.292 million for 2008, an amount that is \$2.9 million lower than the Program's 2007 Approved Capital Budget of \$14.190 million. This 20% decrease is the result of a \$2.41 million reduction in previous year commitments (\$4.909 million in 2007 vs \$2.4 million in 2008) and a \$0.805 million reduction in the value of requested new projects, from \$9.281 million in 2007 to \$8.476 million in 2008.
- The Recommended 5-Year Plan for Economic Development Culture and Tourism attempts to strike a balance between investment in cultural assets and economic development infrastructure. Of the \$64.185 million (excluding one-year carry forward funding) included in the Recommended 5-Year Capital Plan, \$42.03 million (65%) is earmarked for culture assets and \$22.154 million (35%) for economic development infrastructure. Much of the latter, however, is to be funded by 50/50 cost sharing with Business Improvement Areas (BIA). The Recommended 5-Year Capital Plan includes, \$30.321 million (47%) for SOGR, and \$24.427 million (38%) for service improvement (SI) and growth-related (GR) initiatives.
- The Program has accumulated an estimated SOGR backlog of approximately \$68.0 million for Culture assets. The SOGR backlog for occupied buildings is \$33.0 million at the end of 2007 and is anticipated to grow to \$39.865 million by 2012, a 21 % increase. The SOGR backlog for unoccupied buildings such as, The Brickworks, The Roundhouse and the Guild, is \$35.0 million in 2007 and is planned to be reduced to \$11.019 million by 2012 as the result of private partnership agreements. The average funding for SOGR over the next 5 years is projected to be approximately \$2.0 million per year. The Program would require an average funding of \$10.0 million per year to eliminate the accumulated backlog. Furthermore, not all SOGR audits have been completed to date. It is anticipated that present and future assessments could potentially increase the current estimated SOGR backlog.
- The Recommended 5-Year Plan includes \$24.427 million for Service Improvement and Growth projects primarily driven by three projects: 1) \$10.6 million for Fort York Adding New Buildings , 2) \$4.7 million for the Guild Revitalization Project, and 3) \$3.5 million for the Commercial Façade Improvement Program.
- The EDCT 5-Year Capital Plan continues to experience pressure due to the growing number of Business Improvement Areas (BIA) that request streetscape improvements and the increase in demand for the Commercial Façade Improvement Program. The 2007 Capital Budget Recommendations included direction for the General Manager to report back by June, 2007, on a

strategy for managing the growing unfunded demand for the three programs within debt affordability limits. This report is still outstanding, as only a one-year plan for 2008 has been developed.

- Negotiations with the funding partner for the Canada's Walk of Fame project have not been successful to date.

### **Multi-Year Debt Affordability Target**

The 2008 Recommended Capital Budget exceeds the Program's \$7.2 million debt target by \$0.3 million due to the funding of the Brickworks. The debt targets are achieved in each year of the remaining four years of the 5-Year Plan, (2009-2012). This has been achieved by deferring projects into future years to offset the acceleration of priority projects and maximizing available funding sources.

EDCT has maximized the use of debt through deferral or reduction of funding for several BIA Streetscape projects and reallocating funding from the Employment Revitalization Area program to the Streetscape program. EDCT also proposes to allocate the balance of the Façade Improvement Reserve Fund, \$0.351 million, (XR1043) to supplement the Commercial Façade Improvement Program in 2008. Capital funding for the Employment Revitalization Program has been reallocated to the BIA Streetscape Improvement Program in the 2008-2012 5-Year Plan.

EDCT will have difficulty in meeting its future cultural and heritage obligations and in fulfilling the future BIA capital cost sharing demands within this financial envelope without changes to current program policies. The strategy for managing the growing unfunded demand for the three Economic Development Capital programs within debt affordability limits, due in 2007 but now planned to be submitted prior to the 2009 Capital Budget cycle, is expected to address these future pressures.

### **Recommended Changes to the 2007 – 2011 Capital Plan**

Culture continues to refine cash-flow planning to maximize efficient use of funds and maintain the 5-year affordability debt targets year by year. The catalyst for the change to the 5-Year Capital Plan was the 2007 phase of the Casa Loma Restoration project, a long-term, multi-phase project budgeted at \$20 million came in about \$0.700 million below the estimated budget. The contractor will complete the planned work allowing the program to change the planned cash flow for 2008 – 2009. Consequently the roof replacement at Lorraine Kimsa Theatre (\$0.250 million) and work on the John Street Roundhouse (\$0.450 million) were accelerated from 2009 to 2008. This created funding room in 2009 plan which permitted acceleration of state of good repair maintenance on two other properties, Neilson Park and Berkley Canstage Theatre.

Another change to the 5-Year Capital Plan resulted from the failure of the agreement with a private sector partner to revitalize the Guild Inn. This is a multi-year project, that had approved cash flows based on an anticipated signed agreement in 2007 with a private partner. The agreement fell through in the Spring of 2007, leaving Culture with the obligation to stabilize the historic structures immediately requiring the advancement of \$0.320 million into the 2008 cash flow. The 5-Year Capital Plan, approved in 2007, had projected spending \$7.0 million in the next 5 years as part of the commitment to the private partner, but the timing of cash flow has now been pushed out to future years and will be reviewed once an alternative long term strategy for the Guild is developed. At the same time, the cash flow for Fort York Adding New Buildings, \$1.5 million debt, originally planned for



## **2008-2017 Capital Program      Economic Development Culture and Tourism**

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2013, has been accelerated into 2010-2011 to meet the scheduling of the Bicentennial Celebration and to qualify for a \$4.5 million federal grant.

The only new project added to the 5-Year Capital Plan is the \$25,000 purchase of the Ventrac lawnmower in 2008, a lawnmower recommended by corporate Health and Safety in order to safely maintain the authentic slopes of the moats at Fort York.

### **Program Capacity and Readiness to Proceed**

Cash flow set out in the Recommended 5-Year Capital Plan is consistent with the Program's spending pattern of the last two years. The Program has improved their ability to spend over the last two years as a result of hiring two new project management staff. Spending capacity in 2007 of \$13.2 million or 72% spent is in line with 71% achieved in 2006.

Economic Development, Culture and Tourism is ready to proceed with the Recommended 5-Year Capital Plan. The environmental assessments and project planning have been completed reflecting realistic cash flow requirements from 2008 to 2012.

It should be noted that this 5-Year Capital Plan includes \$22.125 million funding for Economic Development Capital projects. The planned cash flow is within the target but the demand is projected to exceed the planned cash flow. The Program is reporting back on the long term strategy to manage these projects within the approved debt targets. BIA projects have completed a comprehensive planning and approval process before they are submitted to the City requesting funds. Each BIA must have a Capital Plan approved by their Board since 50% of the project funding comes from BIA members.

### **Backlog of Projects – Unmet Needs**

Not all SOGR audits of Culture facilities have been completed to date and future assessments may increase the backlog significantly. The known SOGR Backlog is \$68 million at the end of 2007 and includes \$33.0 million for core buildings that are occupied and \$35.0 million for vacant buildings such as Don Valley Brickworks at \$20.0 million, John Street Roundhouse at \$8.0 million and the Guild Inn at \$7.0 million. Culture has secured development partners for the Brickworks and the Roundhouse to relieve the City of this liability. The \$20.0 million backlog for Don Valley Brickworks will be transferred from the City to Evergreen when Evergreen fundraising reaches a threshold defined in the lease, which is when construction starts, anticipated for the Fall of 2008. The John Street Roundhouse lease is signed and the \$8.0 million backlog will be the responsibility of the lessee and will reduce the backlog in 2008.

The SOGR backlog for the occupied buildings is \$33.0 million in 2007 and is anticipated to grow to \$39.9 million in 2012, a 21 % increase. The average funding for SOGR over the next 5 years is projected to be approximately \$2.0 million per year and would require a funding increase of \$8.0 million per year to eliminate the accumulated backlog.

The SOGR backlog for the unoccupied buildings, Brickworks, Roundhouse and the Guild Inn, is \$35.0 million in 2007 and is expected to be reduced to \$11.0 million by 2012 as the result of partnership agreements.

## 2008-2017 Capital Program      Economic Development Culture and Tourism

The Program has been successful in reducing the SOGR for unoccupied buildings through various partnership arrangements while the occupied buildings are accumulating increased backlog as the Program meets debt funding targets.

The SOGR backlog for all of the Culture buildings (occupied + unoccupied) is \$68.0 million in 2007 and is anticipated to be reduced to \$51.0 million in 2012, a 25 % decrease.

### Capital Project Highlights

#### Strategic Priorities:

#### Summary of Major Capital Initiatives

	\$000s						
	2008 Rec. Budget	2009 Plan	2010 Plan	2011 Plan	2012 Plan	Total 2008 -2012	Total 2013 -2017
<b>Facilities Projects: New and Expanded</b>							
Fort York Adding New Buildings	100	500	4,000	3,500	2,500	10,600	1,900
<b>Total New Expanded</b>	<b>100</b>	<b>500</b>	<b>4,000</b>	<b>3,500</b>	<b>2,500</b>	<b>10,600</b>	<b>1,900</b>
<b>Other Major City Initiatives:</b>							
BIA Streetscape Program	4,466	3,568	3,606	3,610	3,610	18,860	18,050
Casa Loma Restoration	2,040	2,825	1,850	1,300	2,000	10,015	6,920
Guild Revitalization	470	850	1,850	1,100	750	5,020	3,200
John Street Roundhouse	884	150	300	200	350	1,884	1,150
<b>Total other Major</b>	<b>7,860</b>	<b>7,393</b>	<b>7,606</b>	<b>6,210</b>	<b>6,710</b>	<b>35,779</b>	<b>29,320</b>
<b>Total Major Initiatives</b>	<b>7,960</b>	<b>7,893</b>	<b>11,606</b>	<b>9,710</b>	<b>9,210</b>	<b>46,379</b>	<b>31,220</b>

Over the next five years, \$46.379 million is allocated for Major Capital Initiatives. Over the 2013-2017 5-Year Estimate \$31.220 million is estimated for new facilities.

- Fort York Adding New Buildings**

The Fort York Adding New Buildings project includes a 5-year cash flow of \$10.6 million requiring \$4.25 million or 40% City debt funding, \$4.5 million subsidy from the Federal Government and \$1.85 million fund raising. The request for the Federal grant has been submitted and is under review.

- Casa Loma Restoration**

The Recommended 5-Year Plan includes \$10.0 million gross, \$6.6 million debt for the continuation of the Casa Loma Restoration. Once the Casa Loma Restoration is completed, by 2012, the exterior of the building should not require significant repairs for 60 years with routine maintenance.

## • Guild Revitalization

The Recommended 5-Year Plan includes \$5.020 million gross, \$4.595 million debt for the continuation of the Guild Revitalization. EDCT staff is planning to report back, by June 2008, on the timing of work on the cultural precinct and on an alternative strategy for the Guild site.

## • John Street Roundhouse

The Recommended 5-Year Plan includes \$1.884 million to continue the rehabilitation of the John Street Roundhouse. In 2007 the City signed a lease with a private developer and as a part of the agreement, the City has an obligation to restore the smaller historic structures and develop a rail heritage museum.

## • Culture Museum on the Waterfront

At this preliminary stage of the project the Program has estimated that \$100.0 million of funding may be required for a new Culture Museum Facility in 2013. Potential debt funding requirements were not included in the 2013-2017 5-Year Estimates. The Program will report back by April 2008 on the feasibility of a Waterfront Museum and potential funding sources. (see page 18)

### Operating Impact of the 5-Year Capital Plan Incremental Operating Impact Summary

Incremental Operating Budget Impact	2008	2009	2010	2011	2012
<b>2008 Recommended Capital Budget</b>					
Program Costs (net) (\$000s)					
Approved Positions					
Debt Service Charges (\$000s)	226	879	180		
<b>Recommended 2009-2012 Capital Plan</b>					
Program Costs (net) (\$000s)					
Approved Positions					
Debt Service Charges (\$000s)		138	760	1,183	1,162
<b>Total</b>					
Program Costs (net) (\$000s)					
Approved Positions					
Debt Service Charges (\$000s)	226	1,017	940	1,183	1,162
<i>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.</i>					

## Program Operating Impacts

Approval of the 2008 Recommended Capital Budget will not have an incremental operating cost impact on the Program's operating budget. Two projects with potential for increased operating costs recommended in the 5 Year Capital Plan are listed below:

- The Adding New Buildings to Fort York project with funding of \$10.6 million from 2008 to 2012 will likely result in significant programming and ongoing operating costs in future years.

## **2008-2017 Capital Program      Economic Development Culture and Tourism**

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- The Waterfront Museum, if approved by Council, will likely result in significant programming and ongoing operating costs in future years.

The projected operating impacts of all projects must be included in future Capital Budget submissions as they too require coordination of operating budget approval with approval of capital expenditures. It is therefore recommended that:

- Economic Development, Culture and Tourism identify and submit to the Chief Financial Officer by June 2008 the full operating impacts for all projects in its Recommended 5-Year Capital Plan.

**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
<b>Expenditures</b>													
Previously Approved	416	2,499		2,915		4,649	7,564						7,564
Change in Scope													
New			3,105	3,105			3,105						3,105
New w/Future Year			5,272	5,272				1,638					1,638
<b>Total Expenditure</b>	<b>416</b>	<b>2,499</b>	<b>8,377</b>	<b>11,292</b>		<b>4,649</b>	<b>15,941</b>	<b>1,638</b>					<b>17,579</b>
<b>Financing</b>													
Debt	317	1,951	5,277	7,545	7,228	69	7,614	1,044					8,658
Subsidy (SCPI)													
Prov. Subsidy/Grant			115	115			115						115
Development Charges													
Other		548	1,499	2,047		2,901	4,948	444					5,392
Federal Grants			115	115			115						115
Reserves/Res Funds	99		1,371	1,470		1,679	3,149	150					3,299
<b>Total Financing</b>	<b>416</b>	<b>2,499</b>	<b>8,377</b>	<b>11,292</b>		<b>4,649</b>	<b>15,941</b>	<b>1,638</b>					<b>17,579</b>

**Comments / Issues:**

- The 2008 Recommended Capital Budget for Economic Development, Culture and Tourism is \$15.941 million. This includes \$0.416 million for 2006 projects carried forward to 2008, \$2.499 million for commitments previously approved in 2007, \$4.649 million in funding being carried forward from 2007, and \$8.377 million for new/change of scope projects.
- The Program is \$0.317 million over their affordability target of \$7.228 million as a result of \$0.317 million of debt funding being carried forward from 2006, for the Brickworks roof project.
- Approval of the 2008 Recommended Capital Budget will result in a commitment of \$1.638 million in 2009, which will encumber the following year's spending. The 2009 commitment includes \$0.9 million for BIA Streetscape projects, \$0.2 million for the Casa Loma Restoration project and \$0.2 million for the John Street Roundhouse project.
- The 2008 Recommended Cash Flow is 47% funded from debt (\$7.614 million), 31% funded from third party funding (\$4.948 million) and 20% funded from Reserve Funds (\$3.149 million).

## 2008 Recommended Capital Budget

### 2008 Recommended Capital Budget versus Debt Target

The 2008 debt affordability guideline for Economic Development Culture and Tourism is set at \$7.228 million. This target represents a 16% decrease from the \$8.6 million in new debt that was approved for 2007.

The 2008 Recommended Capital Budget is \$0.317 million over the corporate debt target due to the increase in debt funding for the delayed Brickworks roof project.

### Recommended Capital Budget by Category

In keeping with the corporate guidelines, the 2008 Economic Development Culture and Tourism Recommended Capital Budget accommodated the Program's highest priority needs. State of Good Repair sub-projects require \$6.692 million or 59% of the 2008 Recommended Capital Budget. The 2008 Recommended Capital Budget is sufficient to fund the 2008 SOGR requirement. Not all SOGR audits for Culture facilities have been completed to date and future assessments could increase the backlog significantly. State of Good Repair projects for facilities that form the core of the Culture portfolio are Culture's priority within the recommended 5-Year Capital Plan. The BIA Streetscape Program and the Employment Revitalization Program are both State of Good Repair projects.

Health and Safety sub-projects require \$1.062 million or 9% of the 2008 Recommended Capital Budget.

Service Improvement and Growth projects require \$3.488 million or 30% of the 2008 Recommended Capital Budget. The major projects are: \$1.4 million for the Commercial Façade Improvement Program, \$0.650 million for the Todmorden Mills Centre and \$0.315 million for the Cultural Assets Storage and Workshop (Atlantic Ave and Chaplin Crescent) project.

### Economic Development Capital projects (Three Programs)

#### ➤ BIA Streetscape Program

The 2008 Recommended Capital Budget for the BIA Streetscape Improvement Program is \$4.66 million gross, \$2.372 million net.

BIA	WARD	PROJECT DESCRIPTION	CASH FLOW			
			2008		2009	
			Gross	Net	Gross	Net
Albion Islington	1	Custom Garbage Bins, Street Signs,	60,000	30,000		0
Beach	32	Tree Planters, Trees, Banners.	40,000	20,000		0
Bloor West Village	13	Tree Lighting, Banners, Benches.	100,000	50,000		0
Bloor-Yorkville	20, 27	Pedestrian Lighting, GFIs.	190,000	95,000		0
Bloorcourt Village	18, 19	Tree Lighting, Banners.	20,000	10,000		0
Church-Wellesley Village	27	Gateway Design.	30,000	15,000		0
College Promenade	19	Planters, Banners.	40,000	20,000		0
Corso Italia	17	TTC ROW Reconstruction.	444,000	222,000		0
The Danforth	29, 30	Bike Racks, Entry Gateways.	50,000	25,000		0
Danforth Village	31, 32	Planters, Planter Posts.	80,000	40,000		0
Downtown Yonge	27, 28	Traffic Poles, Pedestrian Lighting.	600,000	300,000	170,000	85,000
Dundas West	18	Streetscape Improvements in Conjunction with TTC Track Reconstruction.	263,000	131,500		0

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## 2008-2017 Capital Program      Economic Development, Culture and Tourism

(continued from previous page)

BIA	WARD	PROJECT DESCRIPTION	CASH FLOW			
			2008		2009	
			Gross	Net	Gross	Net
Emery Village	7	Gateways, Intersection Enhancements.	582,000	291,000		0
Fairbank Village	15, 17	Benches, Engineering Drawings.	40,000	20,000		0
Gerrard India Bazaar	30	Mural, Banners, Plantings.	40,000	20,000		0
Greektown on the	29, 30	Trees, Engineering Drawings.	25,000	12,500		0
Junction	13, 14	Planters, Banners.	50,000	25,000		0
Kennedy Road	37, 40	Boulevard Planting, Poles on Centre Median.	220,000	110,000		0
The Kingsway	5	Banners, Benches.	25,000	12,500		0
Korea Town	19, 20	Engineering Drawings.	20,000	10,000		0
Lakeshore Village	6	Engineering Drawings for Fountain, Banners.	35,000	17,500	188,000	94,000
Liberty Village	14, 19	Engineering Drawings for King Street Gateway.	40,000	20,000	160,000	80,000
Mimico by the Lake	6	Lighting, Banners, Landscaping.	50,000	25,000		0
Mount Dennis	11	Street Furniture.	18,000	9,000		0
Old Cabbagetown	28	Planters.	50,000	25,000		0
Parkdale Village	14	Pedestrian Lighting.	230,000	115,000	370,000	185,000
Queens Quay Harbourfront	20, 28	Banners, Street Signs.	30,000	15,000		0
Roncesvalles Village	14	Streetscape Enhancements in Conjunction with TTC Track	130,000	65,000		0
Rosedale Main Street	22, 27	Pedestrian Lighting Arms.	35,000	17,500		0
Sheppard East	41, 42	Landscaping, Street Signs, Banners.	68,000	34,000		0
St. Clair Avenue West	17	TTC ROW Reconstruction.	50,000	25,000		0
St. Clair Gardens	17	TTC ROW Reconstruction.	70,000	35,000		0
St. Lawrence Market Neighbourhood	28	Streetscape Enhancements in Conjunction with TTC Track Reconstruction.	100,000	50,000		0
Uptown Yonge	16, 25	Conduits, Pedestrian Lighting. In conjunction with Transportation Services Reconstruction.	225,000	112,500		0
Village of Islington	5	Streetscape Improvements.	200,000	0		0
West Queen West	18, 19	Planters	8,000	4,000		0
Weston Village	11	Banners, Benches, Pedestrian Light Bases.	24,000	12,000		0
Wexford Heights	37	Engineering Drawings, Gateways.	45,000	22,500		0
Yonge Lawrence	16, 25	Banners, Bike Racks.	21,000	10,500		0
York Eglinton	15	Seasonal Banners.	40,000	20,000		0
Project Management			278,000	278,000	0	0
<b>Total Recommended</b>			<b>4,668,008</b>	<b>2,372,000</b>	<b>890,009</b>	<b>444,000</b>

## **2008-2017 Capital Program      Economic Development, Culture and Tourism**

### **➤ Commercial Façade Improvement Program**

The 2008 Recommended Capital Budget for the Commercial Façade Improvement Program is \$1.404 million gross, \$1.053 million net.

AREA	WARD	CASH FLOW			
		2008		2009	
		Gross	Net	Gross	Net
BIA Façade Improvement Program	VAR	1,078,000	727,000	200,000	200,000
Cliffside Village	36	45,000	45,000		0
St. Clair Avenue West	17	90,000	90,000		0
St. Clair Avenue West	11, 21	90,000	90,000		0
Project Management		101,000	101,000	0	0
<b>Total Recommended</b>		<b>1,404,000</b>	<b>1,053,000</b>	<b>200,000</b>	<b>200,000</b>

### **➤ Employment Revitalization Program**

The 2008 Recommended Capital Budget for the Employment Revitalization Program \$0.650 million for funds carried forward from 2007 for the East Chinatown project. Capital funding for the Employment Revitalization Program identified in the 2007-2011 5-Year Capital Plan has been reallocated to the BIA Streetscape Improvement Program.



## **PART II: ISSUES FOR DISCUSSION**

### **2008 Capital Budget Issues**

- **2008 BIA Funding Strategy**

The Economic Development Capital Program continues to face increasing demands on its resources due to growth in the number of BIAs, the size of BIAs, as well as the interest of BIAs to undertake more ambitious projects such as the Emery Village Master Plan. In 2008, the requests for capital funding for the Economic Development Capital Program was \$5.533 million while the recommended funding of \$3.188 million result in projects totalling \$2.345 million not funded in 2008. This \$2.3 million gross, \$1.2 debt imbalance between BIA requests for funding and City approval of funding underscores the continuing issue identified during the 2007 Capital Budget process. For 2008 only, the program has met the 2008 debt target by identifying \$0.351 million from the Façade Improvement Reserve Fund (XR1043) as a source of one time funding and has reallocated funding from the Façade Improvement Reserve Fund to the Commercial Façade Improvement Program. This is a one year solution only and the report on the long term funding strategy is expected in June 2008.

- **Canada's Walk of Fame**

Negotiations with the proponents of Canada's Walk of Fame (CWOFF) have been unsuccessful in reaching an agreement on the cost sharing and management of the project. The 2008 Recommended Capital Budget includes \$0.400 million gross, \$0.200 debt carried forward from 2007 into 2008. As a result of the stalled negotiations the project has not proceeded. The 2008 Recommended Capital Budget also includes \$0.080 million gross, \$0.040 million debt, for the ongoing installation of "Stars" on the current Walk of Fame. The Program will report back to Council on the status of the project approved in 2007 and adjust the 2007 funding carried forward to 2008, before final approval of the budget.

- **Waterfront Museum feasibility**

Culture staff, are working with staff in City Planning and Facilities and Real Estate, to assess the feasibility of locating the Toronto Museum Project on the site of the Canada Malting Silos. \$0.070 million debt funding is recommended to assess the feasibility of a Toronto Culture Museum. The decision on the City's involvement in the development of a Waterfront Museum must precede any consideration of locating a new collection centre on the site.

- **Study of Collection Storage Needs**

The 2008 Recommended Capital Budget includes \$0.100 million debt to fund a study of future collection storage needs to determine requirements that will be taken into consideration when assessing the feasibility of including collection storage in a Waterfront Museum.

## **5-Year Capital Plan Issues**

### **Future Year Targets**

- **Economic Development Capital Programs**

The Economic Development Program faces increasing demands on its resources due to growth in the number of BIAs, the size of new BIAs, as well as the interest of BIAs to undertake more ambitious projects, the steady demand for Employment Revitalization Program initiatives, and the increasing demands to provide the Commercial Façade Improvement Program to BIAs. The number of BIAs eligible for participation in the three cost sharing programs is projected to increase from 55 in 2006 to 64 in 2008 and to 74 by 2011. It is clear that current assumptions and eligibility guidelines for BIA project funding for these capital programs cannot be accommodated within debt affordability targets and therefore new strategies need be considered. The one-time increase identified in 2008 will not resolve the pressures identified for 2009-2012.

The General Manager of EDCT was requested during the 2007 Capital Budget Process, to review the eligibility guidelines and the procedures for reviewing and approving requests for the BIA Streetscape Improvement Program, the Commercial Façade Improvement Program and the Employment Revitalization Program, and report back by June, 2007, on a strategy for managing the growing unfunded demand for the three capital programs within debt affordability limits. The report is expected in June 2008.

- **Guild Site**

The Recommended 5-Year Capital Plan includes a planned 5-year cash flow of \$5.020 million for the Guild Site Revitalization Project. The 2013-2017 capital forecast includes a total cash flow of \$3.200 million. The agreement with a private investor fell apart in the spring of 2007, leaving Culture with the obligation to stabilize the historic structures immediately requiring the advancement of \$0.320 million into the 2008 cash flow. The 2009-2012 cash flow is an estimate of the funding requirements based on the previous commitments to the Cultural Precinct at the Guild site. Parks Forestry and Recreation has included \$1 million in their Capital Plan for 2009, for the demolition of the hotel structure built in the 1970s. EDCT staff is planning to report back, by June 2008, on the timing of work on the cultural precinct and on an alternative strategy for the Guild site.

- **Operating Budget Impacts**

No operating impacts have been identified for either the Adding New Buildings to Fort York project or the Waterfront Museum Feasibility project. It can be assumed that both these projects could result in significant programming and operating costs for EDCT. The projected operating impacts of all projects must be included in future Capital Budget submissions as they too require coordination of operating budget approval with approval of capital expenditures. It is therefore recommended that Economic Development, Culture and Tourism identify and submit to the Chief Financial Officer by June 2008 the full operating impacts for all projects in its Recommended 5-Year Capital Plan.

- **Waterfront Museum of Toronto**

At this preliminary stage of the project the Program has estimated that \$100.0 million of funding may be required for a new Culture Museum Facility in 2013. The Program will report back in April 2008 on the feasibility of a Waterfront Museum and potential funding sources. There was no debt funding for this project included in the 10-Year Forecast.

The decision on the City's involvement in the development of a Waterfront Museum Facility must precede any consideration of locating a new collection centre on the site. Clearly, the museum and collection facility are related matters, but the location and details concerning a new collections facility is secondary and the museum decision must be made first.

- **Canada's Walk of Fame**

The approved cash flow of the construction of the Walk of Fame Project has been delayed two years as a result of the extended negotiation process with the Canada's Walk of Fame organization. If the construction is to proceed after 2008, then the funding of any potential debt for the revised project will create pressure on the 2009-2012 debt targets, as it is not currently included in the Recommended 5-Year Capital Plan. The Program will report back to Council on the status of the project approved in 2007 and adjust the 2007 funding carried forward to 2008, before final approval of the budget.

### **Issues Referred to the Budget Process**

#### **Issues Referred to 2008 Capital Budget Process**

There were no issues referred to the 2008 Capital Budget Process.

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

During the 2007 Capital Budget process, Council adopted the following motion as recommended by BAC in its meeting of January 31, 2007;

“the General Manager of EDCT review the eligibility guidelines and the procedures for reviewing and approving requests for the BIA Streetscape Improvement Program, the Commercial Façade Improvement Program and the Employment Revitalization Program, and report back by June, 2007, on a strategy for managing the growing unfunded demand for the three capital programs within debt affordability limits.”

The strategy for managing the growing unfunded demand for the three Economic Development Capital programs within debt affordability limits, due in 2007 is now planned to be submitted by June 2008. This report must address the future financing pressure for BIA projects and will include the recommendations of the Program Review planned for completion by the end of 2007.

**Appendix 1**

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

**Appendix 2**

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

**Appendix 3**  
**2008 Recommended Capital Projects**  
**with Financing Details**

## Appendix 4

### Reserve / Reserve Fund Review

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Reserve / Reserve Fund Name	Project / SubProject Name and Number	Projected Balance as of December 31, 2007	Proposed Withdrawals				
			2008	2009	2010	2011	2012
XR4002 Public Art Reserve Fund	<b>Beginning Balance</b>	\$543,832	\$543,832	\$294,832	\$119,832	(\$30,168)	(\$180,168)
	ACH000010-34 Public Art Dev. (CFWD)		(\$99,000)				
	ACH000010-45 Public Art Dev. (new 08)		(\$150,000)	(\$175,000)	(\$150,000)	(\$150,000)	(\$150,000)
	<b>Proposed Withdrawals</b>		(\$249,000)	(\$175,000)	(\$150,000)	(\$150,000)	(\$150,000)
XR1019 Heritage Reserve Fund	<b>Beginning Balance</b>	\$270,406	\$270,406	\$195,406	\$155,406	\$55,406	\$55,406
	ACH000011-23 Gidson House Parking		(\$25,000)				
	ACH000012-89 Spadina Restoration				(\$25,000)		
	ACH000012-91 Todmorden Mills				(\$25,000)		
	ACH000012-93 Fort York Restoration				(\$25,000)		
	ACH000012-84 Windfields Estate Rest.		(\$25,000)	(\$25,000)	(\$25,000)		
	ACH000012-87 Cedar Ridge CRC Restore		(\$25,000)	(\$15,000)			
	<b>Proposed Withdrawals</b>		(\$75,000)	(\$40,000)	(\$100,000)	\$0	\$0
XR1501 Casa Loma Capital Res.	<b>Beginning Balance</b>	\$2,422,528	\$2,422,528	\$1,572,528	\$1,522,528	\$1,622,528	\$1,122,528
	Annual Deposit (From Operator)		\$800,000	\$800,000	\$800,000	\$800,000	\$800,000
	ACH000012-88 Casa Loma Exterior		(\$25,000)	(\$1,650,000)	(\$850,000)	(\$700,000)	(\$1,300,000)
	ACH000012-71 Casa Loma CFWD		(\$1,740,000)				
	<b>Proposed Withdrawals</b>		(\$965,000)	(\$850,000)	(\$50,000)	\$100,000	(\$500,000)
XR1214 Land Asquisition EDCT	<b>Beginning Balance</b>	\$3,652,027	\$3,652,027	\$2,768,027	\$2,753,027	\$2,453,027	\$2,253,027
	ACH000016-44 John St Rhouse CFWD		(\$334,000)				
	ACH000016-48 John St. Roundhouse		(\$550,000)	(\$15,000)	(\$300,000)	(\$200,000)	(\$350,000)
	<b>Proposed Withdrawals</b>		(\$884,000)	(\$15,000)	(\$300,000)	(\$200,000)	(\$350,000)
XR3002 The Guild Reserve	<b>Beginning Balance</b>	\$216,573	\$216,573	(\$3,427)	(\$3,427)	(\$3,427)	(\$3,427)
	ACH000012-95 The Guild Restoration		(\$220,000)				
	<b>Proposed Withdrawals</b>		(\$220,000)	\$0	\$0	\$0	\$0
XR1043 Comm Façade Imp Res.	<b>Beginning Balance</b>	\$349,602	\$349,602	(\$1,398)	(\$1,398)	(\$1,398)	(\$1,398)
	ECT907254-1 Commercial Façade Prog		(\$351,000)				
	<b>Proposed Withdrawals</b>		(\$351,000)	\$0	\$0	\$0	\$0
XR4220 Chinese Archway RF	<b>Beginning Balance</b>	\$262,509	\$262,509	\$7,509	\$7,509	\$7,509	\$7,509
	EDV906908-1 Employment Revitalization		(\$255,000)				
	<b>Proposed Withdrawals</b>		(\$255,000)	\$0	\$0	\$0	\$0
XR1212 Dundas W Streetscape RF	<b>Beginning Balance</b>	\$186,622	\$186,622	\$36,622	\$36,622	\$36,622	\$36,622
	ECT907197-1 Village of Islington CFWD		(\$150,000)				
	<b>Proposed Withdrawals</b>		(\$150,000)	\$0	\$0	\$0	\$0
	<b>Total Proposed Withdrawals all proj.</b>		(\$3,149,000)	(\$1,080,000)	(\$600,000)	(\$250,000)	(\$1,000,000)
<b>TOTAL RESERVE FUND BALANCE AT YEAR-END</b>		<b>\$7,904,099</b>	<b>\$4,755,099</b>	<b>\$3,675,099</b>	<b>\$3,075,099</b>	<b>\$2,825,099</b>	<b>\$1,825,099</b>