

# Analyst Briefing Notes

## Budget Committee Review (October 29, 2007)

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October 15, 2007

### **Executive Summary**

- The 2007 Approved Capital Budget of \$76.080 million was 23% spent as at June 30, 2007. Actual expenditures by year-end are anticipated to be \$51.996 million, or 68% of the 2007 Approved Budget. This projected under expenditure is primarily attributed to the vehicle delivery schedules as determined by the manufacturers' build out dates; heavy vehicles and specialized equipment take longer to be assembled and built. This is particularly true for Solid Waste, Transportation, Fire and Emergency Medical Services (EMS) vehicle and equipment needs. The majority of these deliveries are expected to occur in early 2008.
- The 2008 Recommended Capital Budget, and 2009 to 2012 Plan total \$214.227 million, with 2008 cash flow of \$59.201 million, \$42.544 million in 2009, \$34.366 million in 2010, \$40.497 million in 2011 and \$37.619 million in 2012 to be fully funded from the Vehicles and Equipment Reserves.
- The 2008-2012 Capital Plan is primarily comprised of funding to maintain the state of good repair of the City's fleet utilized by various City Programs. In 2008, the Plan will fund the replacement of vehicles for Parks, Forestry and Recreation in the amount of \$3.800 million; \$7.625 million for Solid Waste, \$1.700 million for Transportation, \$2.600 million for EMS, and \$3.311 million for Fire Services. These Programs represent the operators of the majority of the City's fleet. In addition, \$0.500 million is provided for the continuation of the Green Fleet initiatives to lower emissions by taking advantage of innovative greener technology available. This is aligned with the City's strategic priorities outlined in the strategic priorities for a "Greener City." Action to close out fuel sites as identified in the fuel sites review will continue in 2008 at a cost of \$1.077 million.
- The 2008 Recommended Capital Budget, including previously approved commitments, requires new 2008 cash flow of \$49.116 million. This cash flow combined with carry forward funding of \$10.085 million for 2007 projects brings the total 2008 Recommended Capital Budget to \$59.201 million gross, fully funded from the Vehicles and Equipment Reserves.
- 95.7% of the 2008 recommended new cash flow is allocated to State-of-Good-Repair projects at \$47.196 million; 1.6% to Legislative or Contractually required projects at \$0.623 million and 2.7% to Service Improvement projects at \$1.297 million.
- Funding for the 5-Year Capital Plan reduces the current state of good repair backlog by approximately \$6.000 million annually. At the end of the 5 year time frame, backlog will be reduced by 66.1% or \$30.000 million to \$15.370 million.

### **Recommendations**

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Capital Budget for Fleet Services with a total project cost of \$41.228 million and a 2008 cash flow of \$59.201 million and future year commitments of \$16.459 million be approved. The 2008 Recommended Capital Budget consists of the following:
  - a) New Cash Flow Funding for:
    - i) 20 new sub-projects with a 2008 total project cost of \$41.228 million that requires cash flow of \$24.769 million in 2008 and a future year commitment of \$16.459 million in 2009;
    - ii) 5 previously approved sub-projects with a 2008 cash flow of \$10.350 million;
    - iii) 39 sub-projects from previously approved projects with carry forward funding from 2006 and prior years requiring 2008 cash flow of \$13.997 million that requires Council to reaffirm its commitment; and
  - b) 2007 approved cash flow for 19 previously approved sub-projects with carry forward funding from 2007 into 2008 totalling \$10.085 million;
2. the 2008-2012 Capital Plan for Fleet Services totalling \$214.227 million in project commitments and estimates, comprised of \$59.201 million in 2008; \$42.544 million in 2009; \$34.366 million in 2010; \$40.497 million in 2011, and \$37.619 million be approved; and
3. the Fleet Services' 2008 Recommended Capital Budget be adjusted to agree with Programs' 2008 budgeted contributions to the Vehicles and Equipment Replacement Reserves to reflect any changes recommended to the contributions from the other Programs' Operating Budgets during the 2008 Operating Budget process, and the funding availability of the Division's Vehicle and Equipment Replacement Reserve.

### 2007 Capital Variance Review

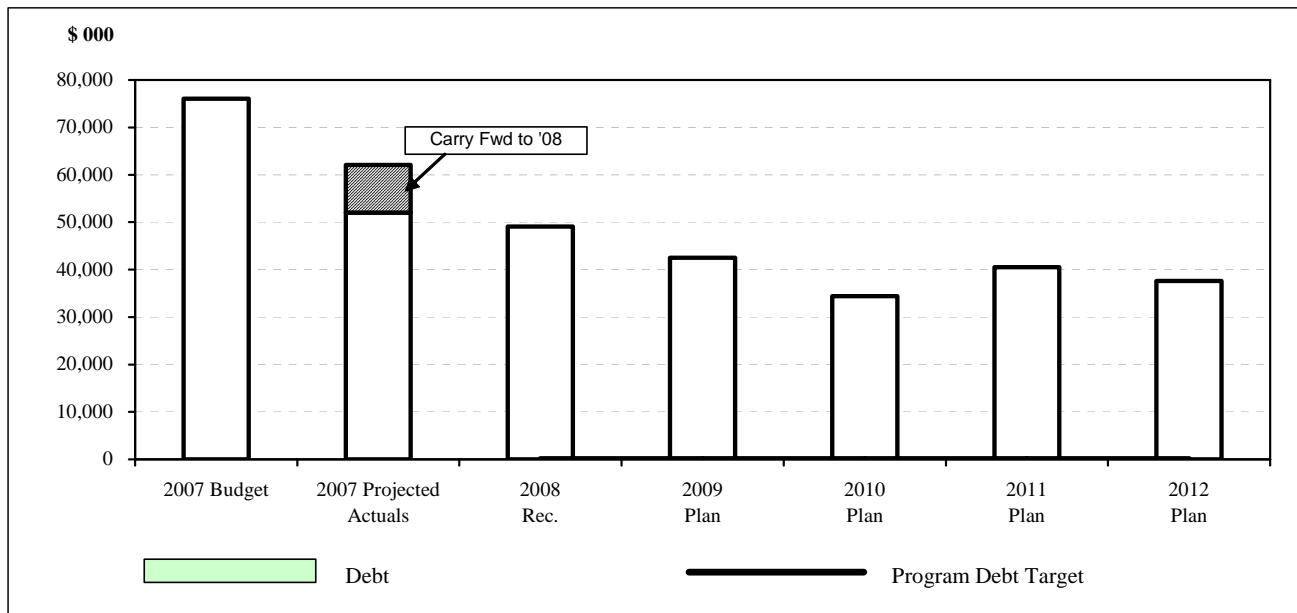
2007 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2007 Approved	Actuals as of June 30 (2nd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
76,080	17,630	23	51,996	68	24,084

#### Comments / Issues:

- At June 30, 2007, Fleet Services spent approximately \$17.630 million or 23% of its 2007 approved cash flow budget of \$76.080 million. The under spending is primarily due to manufacturer's build out dates. Heavy vehicles and specialized equipment take longer to be assembled which affects delivery dates. In addition, due to the delay in obtaining vehicles that meet 2007 environmental standards, it is anticipated that many of these vehicles will not be delivered until the first quarter of 2008.
- Fleet Services' projected year-end spending for 2007 approved projects will be \$51.996 million or 68%. This represents an improvement over the 33% spending rate achieved in 2006.
- The request for carry forward funding included in the 2008 Capital Budget submission is \$10.085 million. In addition, \$13.997 million is re-submitted from 2006 and prior years approvals.
- The spending rates for Fleet Services were affected by manufacturer's build out dates. Since 2007 Fleet Services have begun to plan their cash flow requirements by working more closely with manufacturers to align clients' specifications and manufacturer's capacity to deliver, in an attempt to better align cash flow with products' delivery. Improvement in spending rates is already noted and is expected to continue.
- Cost Containment Impact**

There was no deferral of capital projects as a result of the Cost Containment measures by Fleet Services.

## 5-Year Capital Plan (2008-2012)



			5-Year Plan					
			2008	2009	2010	2011	2012	2008-2012
			2007					
			Budget	Projected Actual				
<b>Gross Expenditures:</b>								
2007 Capital Budget & Future Year Commitments	76,080	51,996	10,350					10,350
Recommended Changes to Commitments								0
2008 New/Change in Scope and Future Year Commitments			38,766	16,459				55,225
2009 - 2012 Plan Estimates				26,085	34,366	40,497	37,619	138,567
1-Year Carry Forward to 2008		10,085	→					
<b>Total Gross Annual Expenditures &amp; Plan</b>	<b>76,080</b>	<b>62,081</b>	<b>49,116</b>	<b>42,544</b>	<b>34,366</b>	<b>40,497</b>	<b>37,619</b>	<b>204,142</b>
<b>Program Debt Target</b>			<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Financing:</b>								
Recommended Debt								0
<b>Other Financing Sources:</b>								
Reserves/Reserve Funds	76,080		49,116	42,544	34,366	40,497	37,619	204,142
Development Charges								0
Federal								0
Provincial								0
Other								0
<b>Total Financing</b>	<b>76,080</b>		<b>49,116</b>	<b>42,544</b>	<b>34,366</b>	<b>40,497</b>	<b>37,619</b>	<b>204,142</b>
<b>By Category:</b>								
Health & Safety								
Legislated	1,061		796	500	500	500	500	2,796
SOGR	74,183		47,023	41,062	33,034	39,170	36,199	196,488
Service Improvement	836		1,297	982	832	827	920	4,858
Growth Related								
<b>Total By Category</b>	<b>76,080</b>		<b>49,116</b>	<b>42,544</b>	<b>34,366</b>	<b>40,497</b>	<b>37,619</b>	<b>204,142</b>
Yearly SOGR Backlog Estimate (not addressed by current plan)			(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(30,000)
Accumulated Backlog Estimate (end of year)			39,370	33,370	27,370	21,370	15,370	15,370
<b>Operating Impact on Program Costs</b>			0	0	0	0	0	0
<b>Debt Service Costs</b>			0	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 2008-2012 Recommended Capital Plan addresses the need for timely replacement of vehicles and associated equipment, continuation of the Green Fleet Transition Plan, the closure of fuel sites and the Maintenance System Upgrade. The 5 Year Capital Plan is based on three key factors: expected life of the assets, ability to spend, and reducing backlog.

The 2008-2012 Capital Plan estimates are based on the replacement values of the vehicles that become due in that year. Vehicles that are older than eight years on average are identified for replacement and become part of the future year estimates. Units that are still active after an eight year period or 160,000 kilometres have been reached become part of the backlog of unfunded replacement. The expected backlog at the end of 2007 is \$45.370 million. Fleet Services plans on reducing this backlog annually by \$6.000 million.

Built into the 5 Year Capital Plan is the continuation of the Green Fleet Plan began implementation in 2005. The Green Fleet Plan was designed to fund the incremental costs associated with newer and innovative greener technology to lower emissions and save fuel. Gaining in popularity are vehicles that offer an alternative to fossil fuel usage, such as ethanol, or hydrogen powered vehicles. Fleet Services 5-Year Capital Plan includes \$2.623 million over five years to continue the delivery of the Green Fleet Plan.

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

The 2008 Recommended Capital Budget is fully funded from Reserve and does not affect the debt level for the City.

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

In total the 2008-2012 Capital Plan is \$8.231 million higher than the Approved 2007 – 2011 Capital Plan. This is attributed to the replacements needed for Solid Waste vehicles and equipment. The major increases will occur in 2011 and 2012, primarily the result of changing the normal life of sweepers, litter vacuums and hybrid pick-up trucks from 7 to 5 years.

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

The spending rate for 2007 indicates that the Program has been able to improve over prior years' spending rates and continues to ensure that project delays are kept to a minimum.

Fleet Services has made a concerted effort in working with their clients to standardize specifications for vehicles and equipment. In the last couple of years, Fleet Services has planned their cash flow requirements to better align with the manufacturers' build out dates, and have accordingly adjusted their cash flow requirements.

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

The expected backlog at the end of 2007 is forecasted to be \$45.370 million. Fleet Services has planned on reducing this backlog annually by \$6.000 million.

**Capital Project Highlights****Strategic Priorities**

The 5-Year Capital Plan is aligned with the following priorities:

- *A Greener City*

The 5-Year Capital Plan includes the Green Fleet Plan which over the five year period has a total of \$2.623 million to fund the incremental costs associated with the replacement of vehicles and equipment with newer and innovative greener technology to provide greater opportunities to lower emissions and save fuel.

**Program Operating Impact**

There is 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
<b>Expenditures</b>													
Previously Approved	13,997	10,350		24,347		10,085	34,432						34,432
Change in Scope													
New													
New w/Future Year			24,769	24,769			24,769	16,459					41,228
<b>Total Expenditure</b>	<b>13,997</b>	<b>10,350</b>	<b>24,769</b>	<b>49,116</b>		<b>10,085</b>	<b>59,201</b>	<b>16,459</b>					<b>75,660</b>
<b>Financing</b>													
Debt													
Subsidy (SCPI)													
Prov. Subsidy/Grant													
Development Charges													
Other													
Federal Grants													
Reserves/Res Funds	13,997	10,350	24,769	49,116		10,085	59,201	16,459					75,660
<b>Total Financing</b>	<b>13,997</b>	<b>10,350</b>	<b>24,769</b>	<b>49,116</b>		<b>10,085</b>	<b>59,201</b>	<b>16,459</b>					<b>75,660</b>

**Comments / Issues:**

- The 2008 Recommended Capital Budget is \$59.201 million, and includes funding for 2006 and prior years projects carried forward to 2008 of \$13.997 million, previously approved funding of \$10.350 million, and new funding of \$24.769 million.
- Approval of the 2008 Recommended Capital Budget will result in a future year commitment of \$16.459 million in 2009.
- Funding for previously approved projects in 2006 and prior years is \$13.997 million, and carry forward funding from 2007 into 2008 is \$10.085 million for the replacement of vehicles and equipment.
- The 2008 Recommended Capital Budget is fully funded from the Vehicles and Equipment Replacement Reserves.



## **2008 Recommended Capital Budget**

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

The 2008 Recommended Capital Budget for Fleet Services is funded from the Vehicles and Equipment Replacement Reserves, and does not require any City debt funding.

### **Recommended Capital Budget by Category**

The 2008 Recommended Budget is comprised of 95.7% SOGR projects. These projects are for timely replacement of vehicles and equipment for various Divisions and Agencies, Boards and Commissions. Service Improvement projects is allocated 2.7% for the fuel sites closures, upgrading the Fleet Maintenance/Management System, and the Fuel System and Fleet Management System integration; and 1.6% is allocated to the Legislated project for the Green Fleet Plan.

**PART II: ISSUES FOR DISCUSSION****2008 Capital Budget Issues****Divisions' Contributions to the Vehicles and Equipment Replacement Reserve**

The recommended 2008 Capital Budget for Fleet Services is funded by the Divisions' respective Vehicle and Equipment Replacement Reserve with contributions budgeted in their Operating Budgets. The cash flow budgeted in the Fleet Services' 2008 Capital Budget for the Divisions' vehicles and equipment replacement must be matched by an equivalent amount of contribution to their Vehicles and Equipment Replacement Reserve to fund the purchases.

During the 2008 process for Operating Budgets, Divisions could adjust their planned 2008 contribution to their Vehicle and Replacement Reserve for a number of reasons, including affordability issues, to meet operating budgets target, adjustment to services, or to simply postpone the replacement of vehicles and equipment beyond their useful life. If such a reduction to contribution is made during the 2008 budget process, the amount of the Division's contribution to the Vehicle and Equipment Replacement Reserve in their recommended 2008 Operating Budget will be less than the capital budgeted for them in the Fleet Services 2008 Capital Budget. Should this result in an insufficient balance in the Division's Vehicle and Equipment Reserve, it is recommended that the Fleet Services' 2008 Recommended Capital Budget be adjusted to agree with the Division's 2008 budgeted contributions to the Vehicle and Equipment Replacement Reserves to reflect any changes recommended to the contributions from the Divisions' Operating Budgets during the 2008 Operating Budget process, and the funding availability of the Division's Vehicle and Equipment Replacement Reserve.

**5-Year Capital Plan Issues**

There are no 5-Year Capital Plan issues.

## **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

(\$000s)

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Proposed Withdrawals				
		2008	2009	2010	2011	2012
Vehicle Reserves:						
XQ1101-Public Health	Public Health - Vehicle Replacement	\$358	\$186	\$186	\$23	\$300
XQ1700-Library	Library-Vehicle Replacement	\$107	\$272	\$330	\$245	\$348
XQ1201-Parks& Rec	Parks & Rec-Vehicle Replacement	\$7,596	\$5,292	\$3,964	\$3,585	\$3,733
XQ1600-Finance	Finance-Vehicle Replacement	\$22	\$24	\$72	\$46	\$47
XQ1301-MLS	MLS -Vehicle Replacement	\$216	\$212	\$212	\$212	\$212
XQ1014-Solid Waste	Solid Waste-Vehicle Replacement	\$14,065	\$9,133	\$8,800	\$14,600	\$10,400
XQ1016-Tech Services	Wes Tech Services-Vehicle Replacement	\$389	\$352	\$132	\$229	\$236
XQ1015-Transportation	Transportation Services-Vehicle Replace	\$5,184	\$6,416	\$2,204	\$3,250	\$3,348
XQ1018-EMS	EMS-Vehicle Replacement	\$2,672	\$3,700	\$4,100	\$3,825	\$4,100
XQ1020-Fire Services	Fire Services-Vehicle Replacement	\$7,117	\$6,561	\$7,200	\$7,200	\$7,200
XQ1703-Toronto Zoo	Zoo-Vehicle Replacement	\$594	\$300	\$500	\$300	\$500
XQ1702-Exhibition Place	Exhibition Place-Vehicle Replacement	\$457	\$350	\$350	\$350	\$350
XQ1601-Insurance	Insurance Contingency-Fleet Replacement	\$450	\$450	\$450	\$450	\$450
XQ0003-Fleet Corporate	Fuel Site Closures	\$1,077	\$837	\$832	\$827	\$920
XQ1705-Arena Boards	Arena Boards-Ice Resurfactors Replace	\$220	\$70	\$70	\$70	\$70
XQ0003-Fleet Corporate	Green Fleet Transition Plan	\$796	\$500	\$500	\$500	\$500
XQ0003-Fleet Corporate	Replacement of Leased Vehicles	\$500	\$500	\$500	\$500	\$500
XQ1503-Fleet Services	Fleet Services-Fleet Replacement	\$76	\$48	\$168	\$149	\$154
XQ1502-Facilities & Real Estate	Facilities & Real Estate- Vehicle Replace	\$396	\$396	\$396	\$396	\$396
XQ1504-City Clerk's Office	Clerks-Vehicle Replacement	\$0	\$0	\$0	\$65	\$70
XQ1012-Toronto Water	Toronto Water-Vehicle Replacement	\$6,535	\$6,800	\$3,400	\$3,675	\$3,785
XQ1015-Transportation	Transportation Sweepers	\$69				
XQ0003-Fleet Corporate	Fleet Management System Upgrade	\$170				
XQ0003-Fleet Corporate	Fleet MgmT and Fuel Sys Integration	\$50	\$145			
	Total Proposed Withdrawals	\$49,116	\$42,544	\$34,366	\$40,497	\$37,619
<b>TOTAL RESERVES WITHDRAWALS</b>		<b>\$49,116</b>	<b>\$42,544</b>	<b>\$34,366</b>	<b>\$40,497</b>	<b>\$37,619</b>

