

# Analyst Briefing Notes

## Budget Committee Review

(October 29, 2007)

Page

### PART I: CAPITAL PROGRAM

Executive Summary .....	2
Recommendations.....	4
2007 Capital Variance Review .....	5
5-Year Capital Plan (2008 Recommended Budget, 2009-2012 Plan).....	7
5-Year Capital Plan Overview .....	8
Recommended Changes to the 2007 – 2012 Capital Plan .....	9
Operating Budget Impact – 5 Year Plan.....	12
Total 2008 Recommended Cash Flow & Future Year Commitments .....	15

### PART II: ISSUES FOR DISCUSSION

2008 Capital Budget Issues .....	18
5-Year Capital Plan Issues .....	19
Issues Referred to the Budget Process .....	21

### APPENDICES

<b>Appendix 1:</b> 2008 Recommended Capital Budget; 2009 to 2012 Plan and 2013 to 2017 Estimates.....	22 (a) to (f)
<b>Appendix 2:</b> 2008 Recommended Cash Flow & Future Year Commitments .....	23 (a) to (d)
<b>Appendix 3:</b> 2008 Recommended Capital Projects with Financing Details .....	24 (a) to (c)
<b>Appendix 4:</b> Reserve / Reserve Fund Review .....	25

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**PART I: CAPITAL PROGRAM****Executive Summary**

- The 2007 Approved Capital Budget of \$74.357 million was 18% spent as at June 30 2007. Expenditures by year-end are projected to be \$65.371 million, or 88% of the 2007 Approved Capital Budget. Of the \$8.986 million under expenditure, \$1.808 million in 2007 cash flow funding will be carried forward into 2008. The projected under expenditure is primarily attributed to delays in the Intelligence and Special Investigations Facility Renovations project, the Police Community Automated Notification System project and facility projects for 11 and 14 Divisions as well as the Geocoding and In-Car Camera projects.
- The 2008 Recommended Capital Budget, 2009 to 2012 Plan and 2013 to 2017 Estimates total \$539.657 million of which \$258.951 million is allocated to the Program's 5-Year Capital Plan, requiring debt funding of \$156.527 million, or an average of \$31.305 million per year. The Recommended 5-Year Capital Plan, excluding carry forward funding of \$1.808 million, assumes:
  - \$154.719 million in debt funding which aligns with the 5-Year debt guideline in total.
  - \$97.508 million in reserve funding.
  - \$4.916 million in external funding from the Department of National Defense.
- The 5-Year Capital Plan requires cash flows of \$76.937 million in 2008, \$38.259 million in 2009, \$50.588 million in 2010, \$48.728 million in 2011 and \$44.439 million in 2012. The 5-Year Capital Plan is allocated 91% or \$234.098 million to State-of-Good-Repair and 9% or \$23.045 million to Service Improvement.
- The 2008 Recommended Capital Budget with a total recommended cash flow of \$76.937 million includes:
  - previously approved commitments and new/change in scope projects requiring 2008 cash flow of \$75.129 million gross funding with \$46.184 million funded by debt, \$26.487 million funded by reserve funds and \$2.458 million in external funding. This cash flow combined with carry forward funding of \$1.808 million for 2007 projects brings the total 2008 Capital Budget to \$76.937 million gross;
  - future year commitments of \$16.896 million in 2009, \$24.918 million in 2010, \$20.011 million in 2011 and \$5.654 million in 2012 are for In-Car Cameras and facilities for 11 and 14 Divisions as well as the Firearms Testing Facility.
- The 2008 Recommended Capital Budget of \$75.129 million is allocated 91% to State-of-Good-Repair projects at \$67.949 million and 9% to Service Improvement projects at \$7.180.

- State-of-Good-Repair projects are consistent with the needs assessment study and addresses the State of Good Repair needs arising from facility assessment such as 14 and 11 Divisions and the New Training Facility, as well as IT upgrades, vehicle and handheld radio replacements.
- Service Improvements and Growth projects include The In-Car Camera, Digital Video Asset Management, and the Time & Resource Management System (TRMS) projects.
- The 5-Year Capital Plan is driven primarily by Facility projects, including the New Training Facility and replacement of the handheld radios which will be obsolete in 2011. The Recommended 5-Year Capital Plan totals \$257.143 million excluding carry forward of 2007 funding into 2008, and provides funding for the following major projects:
  - Construction of a New Training Facility (\$43.735 million) to be completed by 2009.
  - Police Handheld Radio Replacements (\$24.841 million) to be replaced by 2011.
  - Replacement of 14 Division (\$30.798 million) by 2012.
  - Replacement of 11 Division (\$25.475 million) by 2011.
  - Installation of In-Car Cameras (\$7.024 million) by 2010.
  - Start of replacement of 54 Division (\$5.500 million) in 2012.

### **Recommendations**

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Capital Budget for Toronto Police Services with a total project cost of \$53.352 million and a 2008 cash flow of \$76.937 million and future year commitments of \$36.681 million be approved. The 2008 Recommended Capital Budget consists of the following:
  - a) New Cash Flow Funding for:
    - (i) 12 new sub-projects with a 2008 total project cost of \$53.352 million that requires cash flow of \$28.905 million in 2008 and future year commitments of \$6.736 million in 2009, \$11.957 million in 2010 and \$5.754 million in 2011;
    - (ii) 10 previously approved sub-projects with a 2008 cash flow of \$46.224 million and future year commitments of \$9.569 million in 2009, \$2.400 million in 2010 and \$0.265 million in 2012; and
  - b) 2007 approved cash flow for 4 previously approved sub-projects with carry forward funding from 2007 into 2008 totalling \$1.808 million;
2. new debt service costs of \$1.386 million in 2008, and the incremental cost of \$5.496 million in 2009, \$1.954 million in 2010, \$1.752 million in 2011, and \$0.641 million in 2012 resulting from the approval of the 2008 Recommended Capital Budget, be approved for inclusion in the 2008 and future year operating budgets;
3. operating impacts of \$4.729 million in 2008, \$3.087 million in 2009, \$2.817 million in 2010, \$1.255 million in 2011 and \$0.002 million in 2012 that emanate from the approval of the 2008 Recommended Capital Budget be considered within the overall scope of the Toronto Police Service's 2008 operating budget;
4. 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;
5. the 2009-2012 Capital Plan for Toronto Police Services totalling \$182.014 million in project commitments and estimates, comprised of \$38.259 million in 2009, \$50.588 million in 2010, \$48.728 million in 2011; and \$44.439 million in 2012 be approved; and
6. the Toronto Police Services Board report back to Budget Committee during the 2008 Capital Budget review process on how the potential \$9.832 million funding shortfall (i.e. \$4.916 million in 2007, \$2.458 million in 2008, and \$2.458 million in 2009) will be accommodated within the existing recommended debt targets, if approval of Federal DND funding is not received by the end of October 2007.

## 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
74,357	13,363	18	65,371	88	8,986

## Comments / Issues:

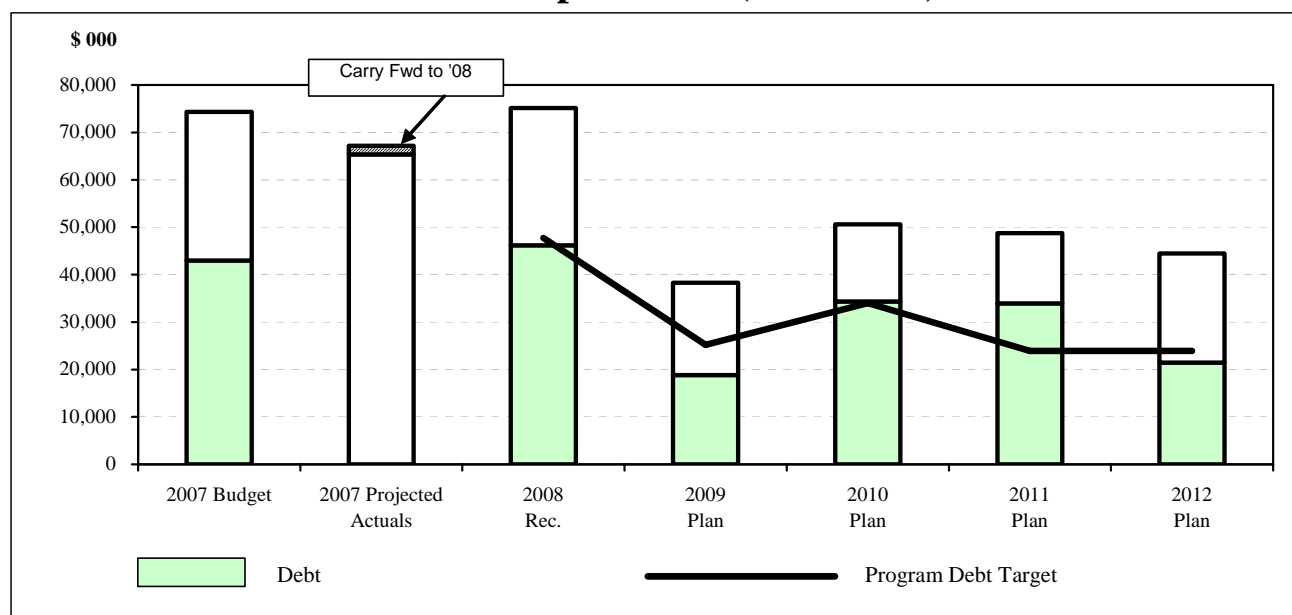
- As of June 30, 2007, Toronto Police Service spent approximately \$13.363 million or 18% of its 2007 approved cash flow budget of \$74.357 million. The Program, however, is projecting a spending rate for year-end of 88% based on projected spending, or an additional \$52.008 million of spending in the last half of 2007. The under spending is primarily due to delays in acquiring land for replacement of 11 and 14 Divisions. A seven week strike in early 2007 could result in delays to the construction of the New Training Facility and may also contribute to underspending in 2007. The construction project manager is working to bring this project back on schedule by the end of 2007, and the 11 and 14 Division land is expected to be purchased by year-end.
- The projection of 2007 funding to be carried forward into the 2008 Capital Budget is \$1.808 million with projected year-end actuals of \$65.371 million. This carry forward funding amount of \$1.808 million includes IT project underspending of \$1.284 million.
- On September 20, 2007, the Toronto Police Service requested Police Services Board approval to accelerate the Mobile and Handheld Radio project, and reallocated 2007 approved cash flow of \$1.165 million from the Human Resource Management System (HRMS), and \$0.994 million from the 14 Division project, to the Radio Replacement Project. This will accelerate the replacement of police handheld and mobile radios which will no longer be supported by 2011.
- The general level of funding carried forward from 2007 to 2008 arises primarily from a number of projects listed below:
  - Intelligence and Special Investigations Facility Renovations: \$0.500 million; the requirements that had to be done in 2007 have been completed; remaining renovations were put on hold in light of preparing the 2008-2012 Capital Plan, in case there was a need to alter scope; remaining funds are being carried forward into 2008
  - Police Community Automated Notification System: \$0.827 million; the project has been delayed to provide the Service with flexibility in the event DND funding for the New Training Facility did not materialize.
  - Geocoding Engine: \$0.457 million; funding is being carried forward to 2008 as bidder selection and contract negotiation are not anticipated to be completed until the end of 2007.

- For 11 and 14 Divisions, TPS is working with City Real Estate and Facilities to finalize the purchase of land from the Toronto District School Board in 2007. With respect to a new 11 Division, assuming successful acquisition of this property in 2007, design is anticipated to commence in 2008, with construction starting in 2009. Similarly for 14 Division, design is anticipated to commence in 2009, with construction starting in 2010.
- Construction of the New Training Facility started in February 2007, with an anticipated completion date of early 2009. The main issue for this project continues to be the uncertainty with respect to the Department of National Defence (DND) participation. The budgeted funding from DND for this project is \$4.916 million in 2007, \$2.458 million in 2008, and \$2.458 million in 2009, for a DND total of \$9.832 million. The most recent information from DND indicates that they are still committed to the project, and that Treasury Board approval is expected by late October, 2007.

**Cost Containment Impact**

- There have been no Capital Projects deferred as a cost containment measure.

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



	2007		5-Year Plan					
	Budget	Projected Actual	2008	2009	2010	2011	2012	2008-2012
<b>Gross Expenditures:</b>								
2007 Capital Budget & Future Year Commitments	74,357	65,371	48,365	16,297	11,939	4,517		81,118
Recommended Changes to Commitments			(2,141)	(6,728)	(9,539)	(4,517)	265	(22,660)
2008 New/Change in Scope and Future Year Commitments			28,905	6,736	11,957	5,754	0	53,352
2009 - 2012 Plan Estimates				21,954	36,231	42,974	44,174	145,333
1-Year Carry Forward to 2008		1,808						
<b>Total Gross Annual Expenditures &amp; Plan</b>	<b>74,357</b>	<b>67,179</b>	<b>75,129</b>	<b>38,259</b>	<b>50,588</b>	<b>48,728</b>	<b>44,439</b>	<b>257,143</b>
<b>Program Debt Target</b>	<b>42,971</b>		<b>47,707</b>	<b>25,206</b>	<b>33,968</b>	<b>23,919</b>	<b>23,919</b>	<b>154,719</b>
<b>Financing:</b>								
Recommended Debt	42,971		46,184	18,803	34,359	33,911	21,462	154,719
<b>Other Financing Sources:</b>								
Reserves/Reserve Funds	26,470		26,487	16,998	16,229	14,817	22,977	97,508
Development Charges								0
Federal								0
Provincial								0
Other Revenue	4,916		2,458	2,458				4,916
<b>Total Financing</b>	<b>74,357</b>		<b>75,129</b>	<b>38,259</b>	<b>50,588</b>	<b>48,728</b>	<b>44,439</b>	<b>257,143</b>
<b>By Category:</b>								
Health & Safety	1,001							0
Legislated								0
SOGR	62,294		67,949	33,909	47,438	47,978	36,824	234,098
Service Improvement	11,062		7,180	4,350	3,150	750	7,615	23,045
Growth Related								0
<b>Total By Category</b>	<b>74,357</b>		<b>75,129</b>	<b>38,259</b>	<b>50,588</b>	<b>48,728</b>	<b>44,439</b>	<b>257,143</b>
Yearly SOGR Backlog Estimate (not addressed by current plan)			0	0	0	0	0	0
Accumulated Backlog Estimate (end of year)		6,226	6,226	6,226	6,226	6,226	6,226	6,226
<b>Operating Impact on Program Costs</b>			<b>4,729</b>	<b>3,087</b>	<b>3,017</b>	<b>1,556</b>	<b>207</b>	<b>12,594</b>
<b>Debt Service Costs</b>			<b>1,386</b>	<b>5,644</b>	<b>3,099</b>	<b>4,797</b>	<b>4,374</b>	<b>19,300</b>

\* 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**

The 5-Year Capital Plan addresses all asset needs as presently determined by the Toronto Police Service. Existing facility maintenance and new facility construction have been reviewed and confirmed in consultation with Corporate Facilities and adjusted to meet debt guidelines and spending capacity.

The 5-Year Capital Plan (2008 Recommended Capital Budget and 2009 to 2012 Capital Plan) requires cash flows of \$75.129 million in 2008, \$38.259 million in 2009, \$50.588 million in 2010, \$48.728 million in 2011 and \$44.439 million in 2012.

Funding for the 5-Year Capital Plan is composed of 60% debt, 38% Reserves and 2% federal subsidy.

The Recommended 5-Year Capital Plan for the Toronto Police Service aligns with the total debt target but varies with the debt targets on a yearly basis. The Capital Plan approved by the Toronto Police Services Board on September 20, 2007 generally aligns with the recommended 5-Year Capital Plan and so, also aligns with established debt targets, on a total 5-year basis.

91% of the total cash flow of \$257.143 million in the Recommended 5-Year Capital Plan (2008 Recommended Budget and 2009-2012 Plan) excluding 2007 funding carried forward into 2008, is allocated to State of Good Repair projects at \$234.098 million; 9% is allocated to Service Improvement projects at \$23.045 million.

A needs assessment study of the Police facilities was completed in 1996. This 5-Year Capital Plan is consistent with the needs assessment study and addresses the Program's state-of-good-repair funding needs arising from the needs assessment, as well as IT upgrades, vehicle and handheld radio replacement.

The City has acknowledged that the Toronto Police Service has facilities that have State of Good Repair issues, and has also accommodated the replacement of handheld radios in their 5 Year Plan. Therefore, the City is recommending a total debt level for the 5 years of \$154.719 million, subject to the adjustments noted above.

The 5-Year Capital Plan is driven primarily by Facility Projects, including the New Training Facility and the replacement of handheld radios which will be obsolete in 2011. The Recommended 5-Year Capital Plan totals \$257.143 million excluding carry forward of 2007 funding into 2008, and provides funding for the following major projects:

- Construction of a New Training Facility (\$43.735 million) to be completed by 2009.
- Police Handheld Radio Replacements (\$24.841 million) to be replaced by 2011.
- Replacement of 14 Division (\$30.798 million) by 2012.
- Replacement of 11 Division (\$25.475 million) by 2011.
- Installation of In-Car Cameras (\$7.024 million) by 2010.
- Start of replacement of 54 Division (\$5.500 million) in 2012.

The construction of the New Training Facility started in February 2007, however, the Department of National Defence (DND) funding for their portion of the costs has not yet been confirmed. The Toronto Police Service may need to fund the DND portion of the facility costs, if DND funding is not received. The budgeted from DND for this project is \$4.916 million in 2007, \$2.458 million in 2008, and \$2.458 million in 2009, for total funding of \$9.832 million from DND.



If Federal Treasury Board approval of the DND funding is not received by the end of October 2007 there will be an additional debt pressure for the City of the same amount. The Toronto Police Service is requested to report back to Budget Committee on how the potential \$9.832 million shortfall will be accommodated within the existing recommended debt targets.

The Radio Communication System Replacement Project is classified as a corporate project in conjunction with requirements of EMS and Fire Services. This system needs to be replaced for all three services as it will no longer be supported by the manufacturer by 2011. As a result, \$70 million in total project cost has been budgeted corporately, and \$0.450 million in 2008 for consultant services, has been recommended for funding.

### **Recommended Changes to the 2007 – 2012 Capital Plan**

The following highlights the major changes from the 2007-2011 Capital Plan approved in March, 2007 and the current Recommended 2008 -2012 Capital Plan:

#### **New/ Change in Scope Projects funded by Debt:**

- 14 Division – additional cost for inflation, and the addition of an underground parking garage (\$8.138 million).
- 54 Division Land Acquisition – new project in 2012, funded by debt due to unavailability of LARF (\$5.500 million)
- Fuel Management System – new project in 2012 (\$0.600 million)
- Intelligence & Special Investigations Facility Renovations – additional renovations in 2009 brought forward from 2010, to improve utilization of space (\$2.565 million)
- Record Management System Replacement – Costs deferred to beyond 2012 (\$4.000 million deferral)

#### **New/ Change in Scope Projects funded by Equipment Replacement Reserve:**

- Mobile Workstation Replacement – new costs in 2012 – (\$9.504 million funded from Equipment Reserve)
- Network Equipment – additional costs from 2008 to 2011 (\$3.550 million funded from Equipment Replacement Reserve)
- Furniture Lifecycle Replacement – additional costs from 2008 to 2011 (\$3.750 million funded from Equipment Replacement Reserve)

**Program Capacity and Readiness to Proceed**

The projected carry forward of unspent funds has decreased from \$23.242 million in 2007 to \$1.808 million in 2008. It can be noted that the \$1.808 million carryover includes \$0.500 million for the Intelligence and Special Investigations Facility Renovations, and \$1.284 million for delayed IT projects.

There is, however, a concern in the spending rate in the 2007 Capital Budget to date. Only 18% of the 2007 Approved Budget of \$74.357 million has been spent up to June 30, 2007. The Program however, is projecting a spending rate for year-end of 88% based on the current spending rates to date, which would require an additional \$52.008 million of spending in the half of 2007 to meet these year-end projections.

From a readiness standpoint, the major portion of the capital budget is controllable; the non-controllable portion relates to the need to procure suitable sites and the requirement for Environmental Assessments for future facilities. The Toronto Police Service is sensitive to the readiness issues and have adjusted their Plan to address land acquisition and environmental assessment challenges. In the event a capital project may not proceed as scheduled, the Toronto Police Service is prepared to accelerate projects such as the Handheld Radio Replacement Program.

**Backlog of Projects – Unmet Needs**

The current backlog for State of Good Repair work is estimated at \$6.226 million for the Toronto Police Service. The Recommended 5-Year Capital Plan provides funds for State of Good Repair work inside the Police facilities of \$1.800 million in 2008 and 2009, \$2.000 million in 2010, increasing to \$2.500 million in 2011, and \$2.553 million in 2012.

**Capital Project Highlights**

The 5-Year Capital Plan is driven primarily by the Facility Projects, including the New Training Facility for Fire Arms, Defensive Tactics & Application Testing, various station replacements (11, 14 & 54 Divisions) as well as replacement of the handheld radios, installation of in-car cameras and various IT initiatives. The 2008 Recommended 5-Year Capital Plan totals \$257.143 million excluding 2007 funding being carried forward being carried forward into 2008, and provides funding for the following major projects:

- IT projects including installation of in-car cameras, network infrastructure, work stations, servers, Geocoding Engine, HRMS & TRMS systems (\$80.431 million)
- Construction of a New Training Facility (\$43.735 million) to be completed by 2009.
- Replacement of 14 Division (\$30.798 million) by 2012.
- Replacement of 11 Division (\$25.475 million) by 2011.
- Start of replacement of 54 Division (\$5.500 million) in 2012.
- Police Handheld Radio Replacements (\$24.841 million) to be replaced by 2011.

The Toronto Police Service 5 Year Capital Plan includes the following major categories of projects:

### 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>							
11 Division	366	7,398	11,957	5,754		25,475	
14 Division		591	10,561	14,257	5,389	30,798	
54 Division					5,500	5,500	31,000
Training Facility	38,663	5,072				43,735	
Future Facilities							80,663
<b>Total</b>	<b>39,029</b>	<b>13,061</b>	<b>22,518</b>	<b>20,011</b>	<b>10,889</b>	<b>105,508</b>	<b>111,663</b>
<b>Other Major Initiatives:</b>							
Police Vehicle Replacement	5,033	5,033	5,033	5,033	5,033	25,165	25,165
Handheld Radio Replacement	4,000	2,000	7,441	11,400		24,841	
In-Car Cameras	2,324	2,300	2,400			7,024	
Other IT Projects	21,053	9,965	9,896	9,034	23,459	73,407	68,747
<b>Total</b>	<b>32,410</b>	<b>19,298</b>	<b>24,770</b>	<b>25,467</b>	<b>28,492</b>	<b>130,437</b>	<b>93,912</b>

Over the next five years, \$194.551 million is allocated for the construction and/or expansion of new facilities as well as the implementation of new information technology. This focus on State of Good Repair projects is consistent with a needs assessment of the Police facilities, which was completed in 1996, and addresses the Program's state of good repair needs arising from the facility assessment, as well as IT upgrades \$73.407 million, vehicle (\$25.165 million) and handheld radio replacement (\$24.841 million) as well as the installation of in-car cameras (\$7.024 million).

A major portion (\$25.165 million) of the Recommended 5-Year Capital Plan provides funding for vehicle and equipment replacement for 2008-2012 is non-debt funded. Of the \$257.143 million in gross expenditures excluding carry forward funding in the 5-Year Capital Plan, debt comprises only \$154.719 million, or 60% of total cash flows.

## Operating Budget Impact – 5-Year Plan

### Incremental Operating Impact Summary

Incremental Operating Budget Impact	2008	2009	2010	2011	2012
<b>2008 Recommended Capital Budget</b>					
Program Costs (net) (\$000s)	4,728.5	3,086.7	2,816.6	1,254.6	1.6
Approved Positions					
<b>Debt Service Charges (\$000s)</b>	<b>1,385.5</b>	<b>5,495.7</b>	<b>1,953.9</b>	<b>1,751.9</b>	<b>640.9</b>
<b>Recommended 2009-2012 Capital Plan</b>					
Program Costs (net) (\$000s)			200.0	301.0	205.0
Approved Positions					
<b>Debt Service Charges (\$000s)</b>	<b>0.0</b>	<b>148.7</b>	<b>1,145.2</b>	<b>3,044.9</b>	<b>3,733.2</b>
<b>Total</b>					
Program Costs (net) (\$000s)	4,728.5	3,086.7	3,016.6	1,555.6	206.6
Approved Positions					
<b>Debt Service Charges (\$000s)</b>	<b>1,385.5</b>	<b>5,644.3</b>	<b>3,099.1</b>	<b>4,796.8</b>	<b>4,374.1</b>
<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

The 2008-2012 Capital Plan will increase future year Operating Budgets by a total of \$12.594 million net over the five-year period. Operating impacts arising from the approval of Toronto Police Service's 5-Year Capital Plan are \$4.729 million for 2008, \$3.087 million for 2009, \$3.017 million for 2010, \$1.556 million for 2011, and \$0.207 million for 2012. These are primarily related to increased maintenance costs for new facilities, and increased contributions to the equipment replacement reserve for future replacement of computer equipment such as office & mobile workstations, servers, printers, and backup equipment.

The Recommended 5-Year Capital Plan will increase the Program's Operating Budget, with incremental impacts in 2008 and future years as a result of the following capital projects/ subprojects:

### 5-Year Incremental Operating Impact Summary By Project/Sub-Project

2008-2012 Capital Projects/Sub-Projects	2008 (\$000s)	2009 (\$000s)	2010 (\$000s)	2011 (\$000s)	2012 (\$000s)	2008-12 (\$000s)
<b>Facility Projects</b>						
23 Division (Kipling and Finch)	102					102
New Training Facility (Replacement of C. O. Bick)		520	520			1,040
11 Division				101	101	202
14 Division					104	104
<b>Information Technology Projects</b>						
Livescan Fingerprinting System		1				1
Voice Logging Recording System	40					40
Automated Vehicle Location System Expansion		30				30
TRMS Additional Functionality	50					50
Jet Forms Replacement	20	20				40
In Car Camera				200		200
Digital Video Asset Management II			200			200
Geocoding Engine	25	27				52
Police Community Automated Notification System		30				30
CASC System		30	2	2	2	35
<b>Replacement/Maintenance Equipment</b>						
Police Mobile/Handheld Radio Replacement	267	133				400
<b>Reserve Funded Replacement</b>						
IT Business resumption	350	353	356	357		1,416
Mobile Workstations	1,993					1,993
Servers	665	672	676	679		2,691
Workstations, Laptops	849	1,054	1,046			2,948
Locker Replacement	37	37	37	37		147
Network Equipment	181	181	181	181		723
Furniture Replacement	150					150
<b>TOTAL</b>	<b>4,729</b>	<b>3,087</b>	<b>3,017</b>	<b>1,556</b>	<b>207</b>	<b>12,594</b>

The major operating impacts associated with various capital projects are for:

- IT Business Resumption: Contribution to equipment replacement reserve (\$3.002 million)
- Workstations, Printers and Laptops Replacement: Contribution to equipment replacement reserve (\$2.948 million).
- Servers Replacement: Contribution to equipment replacement reserve (\$2.691 million)
- Mobile Workstations Replacement: Contribution to equipment replacement reserve (\$1.993 million)
- New Training Facility: Maintenance costs (\$1.040 million).

The operating impacts for the Mobile Workstations, Workstations, Printers & Laptops, Servers, and IT Business Resumption projects are based on lifecycle replacement costs of the 4 lifecycle programs over 4 years, and contributions to the equipment replacement reserve beginning in 2007.

### **Debt Service Cost**

The Recommended 5-Year Capital Plan will result in new debt service costs of \$1.386 million in 2008, and incremental costs of \$5.644 million in 2009, \$3.099 million in 2010, \$4.797 million in 2011, and \$4.374 million in 2012.

Within this 5-Year Capital Plan, the 2008 Recommended Capital Budget and future year commitments for Toronto Police Service will result in new debt service costs of \$1.386 million in 2008, and incremental costs of \$5.496 million in 2009, \$1.954 million in 2010, \$1.752 million in 2011, and \$0.641 million in 2012. This includes the cost for facilities such as the New Fire Arms Training Facility and 11 Division.

The balance of the 4-Year Plan incorporates incremental debt service estimates of \$0.149 million in 2009, \$1.145 million in 2010, \$3.045 million in 2011, and \$3.733 million in 2012. This includes 14 Division, future year asset management projects for state-of-good repair and the future years debt funding for portable radio replacement

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.

**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		46,224		46,224		1,808	48,032	9,569	2,400		265		60,266
Change in Scope								(28)					(28)
New			28,905	28,905			28,905						28,905
New w/Future Year								6,764	11,957	5,754			24,475
<b>Total Expenditure</b>		<b>46,224</b>	<b>28,905</b>	<b>75,129</b>		<b>1,808</b>	<b>76,937</b>	<b>16,305</b>	<b>14,357</b>	<b>5,754</b>	<b>265</b>		<b>113,618</b>
<b>Financing</b>													
Debt		43,766	2,418	46,184	<b>47,707</b>	1,808	47,992	13,847	14,357	5,754	265		82,215
Subsidy (SCPI)													
Prov. Subsidy/Grant													
Development Charges													
Other		2,458		2,458			2,458	2,458					4,916
Federal Grants													
Reserves/Res Funds			26,487	26,487			26,487						26,487
<b>Total Financing</b>		<b>46,224</b>	<b>28,905</b>	<b>75,129</b>		<b>1,808</b>	<b>76,937</b>	<b>16,305</b>	<b>14,357</b>	<b>5,754</b>	<b>265</b>		<b>113,618</b>

**Comments / Issues:**

- Approval of the 2008 Recommended Capital Budget of \$76.937 million gross, will result in future year commitments of \$16.305 million in 2009; \$14.357 million in 2010; \$5.754 million in 2011; and \$0.265 million in 2012.
- Previously approved projects with a 2008 cash flow of \$46.224 million and future year commitments of \$9.569 million in 2009, \$2.400 million in 2010 and \$0.265 million in 2012. 2007 approved cash flow for 4 previously approved projects with funding carried forward from 2007 into 2008 totals \$1.808 million. This combined cash flow is required for the continuation of projects such as the New Training Facility (\$43.763 million, In-Car Cameras (\$7.000 million), Digital Video Asset Management (\$3.315 million), the Intelligence and Special Investigations Facility Renovations (\$1.000 million).
- New & change in scope sub-projects requires cash flow of \$28.905 million in 2008 and future year commitments of \$6.736 million in 2009, \$11.957 million in 2010, \$5.754 million in 2011, and \$0.265 million in 2012. This is primarily driven by projects such as Mobile

Workstations (\$7.970 million), Handheld Radio Replacement (\$4.000 million), Vehicles (\$5.033 million), Workstations, Printers, Laptops (\$3.774 million) and 11 Division (\$24.475 million).

- Financing sources for 2008 and future years include debt of \$47.922 million in 2008, \$13.847 in 2009, \$14.357 million in 2010, \$5.754 million in 2011 and \$0.265 million in 2012. This debt funding is primarily for facility and IT projects. Other sources of financing are reserves of \$26.487 million for vehicles and funding from the DND, included in 2008 and 2009, in the total amount of \$4.916 million as contribution toward the New Training Facility.



## **2008 Recommended Capital Budget**

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

The 2008 Recommended Capital Budget excluding 2007 carry forward funding requires new 2008 cash flow of \$75.129 million gross with debt funding of \$46.184 million. This cash flow combined with funding carried forward of \$1.808 million for 2007 projects provides a total 2008 Recommended Capital Budget of \$76.937 million. The 2008 Recommended Capital Budget for Toronto Police Service is under the debt affordability guideline of \$47.707 million by \$1.523 million in 2008, primarily due to the deferral of the 14 Division project by one year.

A needs assessment study of the Police facilities was completed in 1996 and the 2008 Recommended Capital Budget is consistent with the needs assessment study and includes new facilities, IT upgrades, and minor State of Good Repair work for the interior of the facilities.

The 2008 Recommended Capital Budget provides funding for several major projects, including:

- Continued construction of a New Training Facility (\$38.663 million)
- Phase 1 of the replacement of Mobile Workstations (\$7.970 million)
- On-going Vehicle Replacement (\$5.033 million)
- On-going handheld Radio Replacement (\$4.000 million)
- Continued installation of In-Car Cameras (\$2.300 million)
- On-going Digital Video Asset Management (\$2.015 million)

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

State of Good Repair sub-projects represent 91% or \$67.949 million of the 2008 Recommended Capital Budget. The 2008 debt target is sufficient to fund the 2008 SOGR requirement.

Service Improvements and Growth projects represent 9% or \$7.180 million of the 2008 Recommended Capital Budget. Funding is allocated to the In-Car Camera, Digital Video Asset Management, and the Time & Resource Management System (TRMS) projects.

## PART II: ISSUES FOR DISCUSSION

### 2008 Capital Budget Issues

#### EMS / Fire Emergency Power Supply Project

EMS' 2007 Capital Budget included a 2007 cash flow of \$0.330 million (\$0.180 million funded by debt and \$0.150 million funded from Fire Services) for the design and planning of the critical upgrade required to the power supply and support systems at the EMS/Fire Headquarters.

The engineering firm that conducted a needs analysis estimated that \$3.1 million (in addition to the \$0.330 million approved in 2007) is required to upgrade the power supply system. The table below summarizes the cash flow funding in 2007 and 2008 with contribution from the three emergency services. Funding is included in EMS, Fire and Police Services' 2008 Recommended Capital Budget.

	2007 Approved Budget	2008 Cash Flow
	\$000s	
EMS	180	863 *
Provincial Subsidy		400
<b>Sub-total (EMS)</b>		<b>1,263</b>
<b>Fire Services</b>	150	<b>1,236</b>
<b>Police Services</b>		<b>617</b>
<b>Grand Total</b>	<b>330</b>	<b>3,116</b>
*Includes Carry Forward Funding from 2007 to 2008		

#### Background:

The EMS and Fire Headquarters at 4330 Dufferin Street houses the EMS Central Ambulance Communication Centre, the Fire Communication Centre and the Toronto Police 911 Back-up Call Centre (which is also used for special event coordination, e.g. Caribana).

Two separate incidents in 2006 raised serious concerns about the integrity of the power systems, and their ability to maintain primary or even back up power feeds to the facility in the event of power disruptions. These incidents made it necessary for staff from EMS and Fire to decide that a more comprehensive assessment of the integrity of all the power feeds, linkages and back-up systems is required.

The firm of Morrison Hershfield was retained to undertake a critical power engineering audit of the power supply and support systems at the EMS-Fire Headquarters and it was determined that a major overhaul of the systems has to be undertaken as soon as possible. The site investigation and analysis of the existing electrical and mechanical systems revealed several major deficiencies two of which were significant as it would place the EMS-Fire facility in a high-risk situation.

The 20% share for Police represents an additional \$0.618 in expenditures in 2008, and requires that Police defer \$0.047 million from the years 2008-2012 into the year 2013, so that the 5-year debt target is not exceeded.

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

### **New Police Training Facility – DND Funding**

The construction of the New Training Facility started in February 2007, however the Department of National Defence (DND) funding for their portion of the costs has not yet been confirmed. The Toronto Police Service may need to fund the DND portion of the facility costs should the federal agency not co-locate with the Toronto Police Service at this new facility, resulting in an estimated \$9.832 million shortfall if DND funding is not received (i.e. \$4.916 million in 2007, \$2.458 million in 2008, and \$2.458 million in 2009).

If the Federal Treasury Board approval is not received by the end of October 2007, the Toronto Police Service is requested to report back to Budget Committee during the 2008 Capital Budget review process, on how the potential \$9.832 million shortfall will be accommodated within the recommended debt targets.

### **Multi-Year Debt Targets**

The primary focus of the 2008 Recommended Capital Budget is to address current SOGR needs, and the 5-Year Recommended Capital Plan equally addresses the Program's needs regarding SOGR over the longer term.

The Toronto Police Service future year budget trend is driven primarily by replacement of handheld radios which will be obsolete in 2011, and by four facility projects which were identified by a needs assessment and study to address SOGR, Health & Safety, and Service Enhancements. These projects include:

- New Training Facility (started construction in 2007)
- Intelligence & Special Investigations Facility Renovation (started in 2007)
- Replacement of 11 Division (start construction in 2009)
- Replacement of 14 Division (start construction in 2010)
- Handheld Radio Replacement (started in 2006)

In the past, land acquisition for Toronto police Service facilities was funded through the Land Acquisition Reserve Fund. Because of reserve fund depletion, it is now necessary to fund acquisitions through debt thus putting additional pressure on the Toronto Police Service Capital Program. The 10-year forecast estimates 41 Division at \$40.334 million and 54 Division at \$36.500 million with additional facility requirements of \$77.122 million. These will have to be assessed with other city-wide facility priorities and opportunities for funding where appropriate. Furthermore, it is appropriate that the Toronto Police Service should consult with Corporate IT in relation to various IT projects currently planned to derive any possible cost efficiencies.

## Radio Communication System Replacement

The Radio Communication System Replacement project is a corporate initiative involving three Programs: Fire Services, Police Services and Emergency Medical Services and does not form part of these individual Programs' Capital Plans. This project will be fully funded by debt at a total cost of \$70.0 million for the replacement of the joint radio communication system infrastructure. As confirmed by a consultant's study and Motorola, the current equipment and system infrastructure will be unsupported and in need of replacement by 2011.

Initial cash flow funding of \$0.250 million in both 2007 and 2008 for system consultants and project management are followed by project cash flows of \$28.0 million in each of 2009 and 2010 and \$13.5 million in 2011. In 2007, \$0.250 million was allocated for consulting and educational/training initiatives. Spending to year-end is estimated to be \$0.050 million with \$0.200 million being carried forward into 2008. In 2007, \$0.025 million was committed for consulting services to establish project governance among the three emergency services. A Governance Agreement did not exist between the Services and is the first step in the process. The agreement will provide a framework to cover issues related to system administration, including, for example, sharing of the system, change management and new members. As well, it is required that an additional \$0.025 million will be spent in 2007 on training/educational initiatives for the technical subcommittee in order to enhance their knowledge of current industry standards for radio communication related to Project 25 protocols.

In 2008, a Request for Proposals will be issued to identify a preferred system solution that meets requirements to be developed by the three emergency services. A Project Manager will be hired to oversee the project on behalf of the three emergency services. Significant expenditures on the project are not anticipated until 2009 and beyond, following the selection of a vendor and awarding of a contract.

The following is a preliminary assessment of cost drivers:

<b>FY</b>	<b>ITEM</b>	<b>ESTIMATED COST (\$M)</b>
2007	Development of Governance Agreement, technical subcommittee training	\$0.050
2008	Development of Infrastructure Functional Specifications & System Supplier RFP	\$0.450
2009-2011	Infrastructure Replacement (Approx.)	\$62.470
2009-2011	Portable Radio Replacement (Contingency)	\$7.000
2011	Overseeing Assembly, Installation and Test	\$0.030
2012	Costs Associated with Transition	TBD
<b>2007-2012</b>	<b>Total Project Cost</b>	<b>\$70.000</b>

This radio infrastructure project includes costing for the replacement of Fire mobile (in-vehicle) radios and a contingency for Fire handheld radios. This is estimated to be \$7 million and also includes upgrade costs for existing radios from all three agencies. However there are also replacement and/or additional radios budgeted within each of the Police, Fire, and Emergency Medical Services Capital Budgets. These radios are currently being purchased as required. The contingency within the Radio Communication project will only be used if, by the time the new system is implemented, the recently

purchased portable radios are ultimately discontinued and available models are incompatible with existing portable radios. This is not likely to be the case however it is too early to assume a budget reduction at this point. The Steering Committee is recommended to report back on the disposition of this issue once it is determined.

Toronto Police Service began replacing their radios in 2006 and have budgeted an additional \$24.841 million in years 2008 to 2011 for replacement of the remaining radios, ensuring compatibility with the new radio infrastructure system to be commissioned in 2011.

The Steering Committee for the Radio Communication System Replacement project consists of Deputy Chiefs from the 3 Services and has been formed in consultation with the City Manager's Office. It is recommended corporately that the Steering Committee report to Budget Committee on an annual basis starting in July 2008 to update the status of the project including project management costs and infrastructure issues.

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

There are no issues referred to the budget process for the Toronto Police Service.

## **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	Projected Balance as of December 31, 2007	Proposed Withdrawals				
			2008	2009	2010	2011	2012
XQ1701 Vehicle and Equipment Reserve	Beginning Balance	\$18,968	\$18,968	(\$7,519)	(\$24,517)	(\$40,746)	(\$55,563)
	Police Vehicle Purchases		(\$5,033)	(\$5,033)	(\$5,033)	(\$5,033)	(\$5,033)
	Police Handheld Radio Replacement		(\$4,000)	(\$2,000)			
	Servers		(\$2,810)	(\$2,910)	(\$3,010)	(\$3,120)	(\$3,230)
	IT Business Resumption				(\$1,590)	(\$1,640)	(\$1,700)
	Workstations, Printers, and Laptops		(\$3,774)	(\$4,785)	(\$4,816)	(\$3,774)	(\$3,774)
	Mobile Workstation		(\$7,970)				(\$7,970)
	Network Equipment		(\$1,600)	(\$970)	(\$480)	(\$500)	(\$520)
	Locker Replacement Project		(\$550)	(\$550)	(\$550)		
	Furniture Life Cycle Replacement		(\$750)	(\$750)	(\$750)	(\$750)	(\$750)
	Total Proposed Withdrawals		(\$26,487)	(\$16,998)	(\$16,229)	(\$14,817)	(\$22,977)
<b>TOTAL RESERVE FUND BALANCE AT YEAR-END</b>		<b>\$18,968</b>	<b>(\$7,519)</b>	<b>(\$24,517)</b>	<b>(\$40,746)</b>	<b>(\$55,563)</b>	<b>(\$78,540)</b>