

Analyst Briefing Notes

Budget Committee Review

(October 29, 2007)

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October 30, 2007

PART I: CAPITAL PROGRAM**Executive Summary**

- Toronto and Region Conservation Authority (TRCA) received 33% of its 2007 Approved Capital Budget of \$5.992 million as at June 30, 2007. TRCA expects to receive 100% of its 2007 Approved Capital Budget by year-end.
- The 2008 Recommended Capital Budget and 2009-2012 Capital Plan calls for a total debt of \$14.470 million, requiring cash flow of \$6.018 million gross and \$2.718 million debt in 2008; \$6.268 million gross and \$2.801 million debt in 2009; \$6.505 million gross and \$2.951 million debt in 2010; \$6.643 million gross and \$3.000 million debt in 2011; and \$6.734 million gross and \$3.000 million debt in 2012. The Capital Plan is in line with TRCA's aggregate debt target as well as the annual debt targets.
- Contributions from Toronto Water also fund TRCA's capital work. The Recommended 5-Year Capital Plan for Toronto Water includes \$17.698 million to partially fund TRCA capital projects related to water quality and quantity: \$3.300 million in 2008; \$3.467 million in 2009; \$3.554 million in 2010; \$3.643 million in 2011; and \$3.734 million in 2012.
- TRCA also acquires land for source water protection within its jurisdiction. The Recommended 5-Year Capital Plan for Toronto Water includes \$25.500 million for land acquisition for source water protection through TRCA: \$3.000 million in 2008; \$4.500 million in 2009; and \$6.000 million each in 2010, 2011 and 2012.
- The Recommended 5-Year Capital Plan totals \$32.168 million, of which 95% (\$30.432 million) is allocated to State of Good Repair projects and the remaining 5% (\$1.736 million) to Service Improvement initiatives. TRCA estimates that its State of Good Repair backlog will be approximately \$154.450 million by the end of 2007. However, TRCA projects the backlog to decline gradually over the next 5 years to \$137.266 million at the end of 2012.
- The Recommended 5-Year Capital Plan will impact future-year Parks, Forestry and Recreation operating budgets in cases where TRCA hands over parkland to Parks, Forestry and Recreation for maintenance. TRCA is working with Parks, Forestry and Recreation to ensure that their future-year budget submissions include these operating impacts.
- The Recommended 5-Year Capital Plan will address safety concerns in flood prone areas and where land loss is occurring along river valleys and shorelines as a result of erosion; continue waterfront regeneration efforts through parkland and habitat creation along the Lake Ontario waterfront (with associated water quality monitoring); continue environmental rehabilitation through the Toronto Remedial Action Plan; and provide for infrastructure repairs and maintenance in support of the foregoing objectives and activities.

- The 2008 Recommended Capital Budget and 2009-2012 Capital Plan indirectly supports strategic priorities such as *Make Progress on the Waterfront*. Through the Waterfront Toronto capital program, TRCA will be involved in the waterfront parks at Port Union and Mimico; the Tommy Thompson Master Plan; naturalization of the mouth of the Don and the West Donlands Precinct Plan (flood protection land form - Don Park) over the next 5 years.
- The 2008 Recommended Capital Budget is \$6.018 million for 25 new sub-projects within 9 long-established project areas, financed by debt of \$2.718 million and a Toronto Water contribution of \$3.300 million, with no future-year commitments.
- The 2008 Recommended Capital Budget is in line with the Program's \$2.718 million debt target and allocates \$5.718 million (95%) to State of Good Repair work. The remaining \$0.300 million (5%) is allocated toward service enhancements in waterfront development.
- The 2008 Recommended Capital Budget will enable:
 - flood protection, which addresses safety concerns in flood prone areas;
 - erosion protection, which addresses safety concerns where land loss is occurring along river valleys and shorelines;
 - waterfront regeneration, which consists primarily of parkland and habitat creation along
 - the Lake Ontario waterfront (with associated water quality monitoring);
 - infrastructure repairs and maintenance in support of the foregoing objectives; and
 - environmental rehabilitation through the Toronto Remedial Action Plan.

Recommendations

The City Manager and Chief Financial Officer recommend that:

- (1) the 2008 Recommended Capital Budget for Toronto and Region Conservation Authority with a total project cost and 2008 cash flow of \$6.018 million gross be approved. The 2008 Recommended Capital Budget consists of New Cash Flow Funding for 25 new sub-projects with a 2008 total project cost and 2008 cash flow of \$6.018 million;
- (2) new debt service costs of \$0.082 million in 2008 and incremental costs of \$0.299 million in 2009 resulting from the approval of the Toronto and Region Conservation Authority 2008 Recommended Capital Budget, be approved for inclusion in the 2008 and future year operating budgets; and
- (3) the Toronto and Region Conservation Authority 2009-2012 Capital Plan totalling \$26.150 million in project commitments and estimates, comprised of \$6.268 million in 2009, \$6.505 million in 2010, \$6.643 million in 2011; and \$6.734 million in 2012 be approved.

2007 Capital Variance Review

2007 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2007 Approved	Actuals as of June 30 (2nd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
5,992	1,997	33	3,591	60	2,401

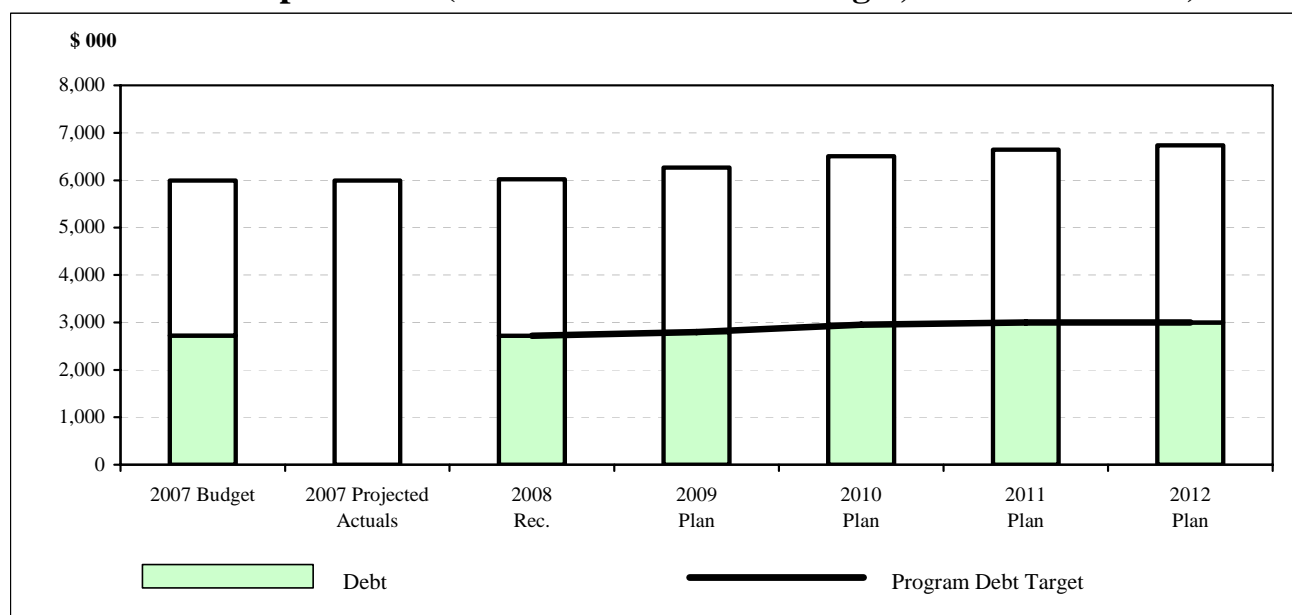
Comments / Issues:

- As at June 30, 2007, Toronto and Region Conservation Authority (TRCA) received 33% of its 2007 Approved Cash Flow of \$5.992 million from the City of Toronto.
- The Program anticipates that it will receive 100% of its 2007 Approved Cash Flow by year-end.

Cost Containment Impact

TRCA did not defer any capital projects in the 2007 cost containment exercise.

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



			5-Year Plan						
2007			2008	2009	2010	2011	2012	2008-2012	
Budget	Projected Actual								
Gross Expenditures:									
2007 Capital Budget & Future Year Commitments	5,992	5,992							
Recommended Changes to Commitments									
2008 New/Change in Scope and Future Year Commitments			6,018					6,018	
2009 - 2012 Plan Estimates				6,268	6,505	6,643	6,734	26,150	
1-Year Carry Forward to 2008*									
Total Gross Annual Expenditures & Plan	5,992	5,992	6,018	6,268	6,505	6,643	6,734	32,168	
Program Debt Target	2,722		2,718	2,801	2,951	3,000	3,000	14,470	
Financing:									
Recommended Debt	2,722		2,718	2,801	2,951	3,000	3,000	14,470	
Other Financing Sources:									
Reserves/Reserve Funds									
Development Charges									
Federal									
Provincial									
Other Revenue (Toronto Water contributions)**	3,270		3,300	3,467	3,554	3,643	3,734	17,698	
Total Financing	5,992		6,018	6,268	6,505	6,643	6,734	32,168	
By Category:									
Health & Safety									
Legislated									
SOGR	5,772		5,718	5,913	6,074	6,268	6,459	30,432	
Service Improvement	220		300	355	431	375	275	1,736	
Growth Related									
Total By Category	5,992		6,018	6,268	6,505	6,643	6,734	32,168	
Yearly SOGR Backlog Estimate (not addressed by current plan)									
Accumulated Backlog Estimate (end of year)		154,450	151,787	148,880	145,585	141,718	137,266	137,266	
Operating Impact on Program Costs (to be determined - refer to discussion on page 12)									
Debt Service Costs			82	383	397	415	420	1,696	

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

** Toronto Water contributions have been confirmed for each year in the 5-Year Plan.

5-Year Capital Plan Overview

Overview

- The Toronto and Region Conservation Authority (TRCA) 2008-2012 Recommended Capital Plan includes 9 capital projects and 29 sub-projects specifically benefiting the City of Toronto and located within the City's borders. These projects support the strategic objectives of TRCA's vision for the Living City which encompasses healthy rivers and shorelines, regional biodiversity, sustainable communities and business excellence in stewardship of the environment.
- More specifically, the Recommended 5-Year Capital Plan contains projects with the objectives of:
 - flood protection, which addresses safety concerns in flood prone areas;
 - erosion protection, which addresses safety concerns where land loss is occurring along river valleys and shorelines;
 - waterfront regeneration, which consists primarily of parkland and habitat creation along the Lake Ontario waterfront (with associated water quality monitoring);
 - infrastructure repairs and maintenance in support of the foregoing objectives; and
 - environmental rehabilitation through the Toronto Remedial Action Plan.
- The TRCA 2008 Recommended Capital Budget and 2009-2012 Capital Plan is for \$32.168 million gross and \$14.470 million debt, requiring cash flow of \$6.018 million gross and \$2.718 million debt in 2008; \$6.268 million gross and \$2.801 million debt in 2009; \$6.505 million gross and \$2.951 million debt in 2010; \$6.643 million gross and \$3.000 million debt in 2011; and \$6.734 million gross and \$3.000 million debt in 2012.
- The TRCA 2008-2012 Recommended Capital Plan meets the Council-approved debt affordability targets in each of the 5 years. The City also finances TRCA's capital work through contributions from Toronto Water. Other non-City funding partners include the Regions of Peel, York and Durham, the Town of Mono, the Township of Adjala-Tosorontio and private or other donors.
- Approximately 95% or \$30.432 million of TRCA's Recommended 5-Year Capital Plan consists of state-of-good-repair projects to preserve the natural environment through erosion control and to maintain facilities such as Black Creek Pioneer Village and the Kortright Living City Centre. On average, the annual funding allocation for state-of-good-repair projects is \$6.086 million.
- Approximately 5% or \$1.736 million of the TRCA Recommended 5-Year Capital Plan consists of service improvement and enhancement projects for waterfront development.

Multi-Year Debt Affordability Target

The TRCA Recommended 5-Year Capital Plan for 2008-2012 meets the Council-approved debt affordability targets in each of the 5 years.

Recommended Changes to the 2007 – 2011 Capital Plan

The TRCA Recommended 2008 - 2011 Capital Plan remains broadly unchanged at the project level but contains minor changes within the approved annual funding envelopes to reflect shifting priorities at the sub-project level.

Program Capacity and Readiness to Proceed

TRCA is ready to proceed with the projects in its 5-Year Capital Plan. TRCA has completed feasibility or needs assessments and engineering estimates and formulated solid costing for its projects, the majority of which are ongoing or phased projects which have been in existence for a number of years.

Backlog of Projects – Unmet Needs

TRCA's accumulated state-of-good-repair backlog at the end of 2007 is estimated to be \$154.450 million. This figure includes maintenance of the natural environment through activities such as erosion control and source water protection. During the period 2008-2012, TRCA will address its annual state-of-good-repair needs and reduce its backlog so that the estimated accumulated backlog by the end of 2012 is estimated to be \$137.266 million.

Capital Project Highlights

Strategic Priorities:

The TRCA 5-Year Capital Plan indirectly supports strategic priorities such as *Make Progress on the Waterfront*. Through Waterfront Toronto's capital program, TRCA will be involved in the development of waterfront parks at Port Union and Mimico; the Tommy Thompson Master Plan; naturalisation of the mouth of the Don and the West Donlands Precinct Plan (flood protection land form - Don Park) over the next 5 years.

Summary of Major Capital Initiatives

	\$000s						
	2008 Rec. Budget	2009 Plan	2010 Plan	2011 Plan	2012 Plan	Total 2008 -2012	Total 2013 -2017
Facilities Projects: New and Expanded							
IT sub-projects	264	264	264	264	264	1,320	
Total	264	264	264	264	264	1,320	

The Recommended TRCA 5-Year Capital Plan does not include any new and expanded facility projects. The Plan includes \$1.320 million over the next 5 years, flat-lined at \$0.264 million each year, for the strategic replacement of obsolete information technology, particularly in the area of geographical information systems.

Operating Budget Impact – 5-Year Plan Incremental Operating Impact Summary

Incremental Operating Budget Impact	2008	2009	2010	2011	2012
2008 Recommended Capital Budget					
Program Costs (net) (\$000s)					
Approved Positions					
Debt Service Charges (\$000s)	82	299			
Recommended 2009-2012 Capital Plan					
Program Costs (net) (\$000s)					
Approved Positions					
Debt Service Charges (\$000s)		84	397	415	420
Total					
Program Costs (net) (\$000s)					
Approved Positions					
Debt Service Charges (\$000s)	82	383	397	415	420
<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

TRCA typically absorbs the operating impact of its capital budgets, except in cases where TRCA hands over a completed project to a City agency to manage ongoing operations. For example, upon completion of TRCA's capital work on ravine parkland, TRCA hands over the operation of the park to the City's Parks, Forestry and Recreation Division. This impacts the operating budget of Parks, Forestry and Recreation. TRCA and Parks, Forestry and Recreation will work together to ensure that future-year budget submissions includes such operating impacts.

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

	2006 & Prior Year Carry Forwards	2008 Previously Approved Cash Flow Commitments	2008 New Cash Flow Recommended	2008 Total Cash Flow Recommended	2008 Debt Target	2007 Carry Forwards	Total 2008 Cash Flow (Incl 2007 C/Fwd)	2009	2010	2011	2012	2013-2017	Total Cost
Expenditures													
Previously Approved													
Change in Scope													
New			6,018	6,018			6,018						6,018
New w/Future Year													
Total Expenditure	0	0	6,018	6,018		0	6,018	0	0	0	0	0	6,018
Financing													
Debt			2,718	2,718	2,718		2,718						2,718
Subsidy (SCPI)													
Prov. Subsidy/Grant													
Development Charges													
Other			3,300	3,300			3,300						3,300
Federal Grants													
Reserves/Res Funds													
Total Financing	0	0	6,018	6,018		0	6,018	0	0	0	0	0	6,018

Comments / Issues:

- The Toronto and Region Conservation Authority's 2008 Recommended Capital Budget is \$6.018 million gross (\$2.718 million debt) for new projects.
- The TRCA 2008 Recommended Capital Budget is funded by City debt of \$2.718 million or 45% and a contribution from Toronto Water of \$3.300 million or 55% for projects related to water quality and quantity.

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

TRCA's 2008 Recommended Capital Budget requires \$2.718 million in debt, which meets the debt affordability target for 2008.

Recommended Capital Budget by Category

State of Good Repair projects to preserve Toronto's natural environment through the Toronto Remedial Action Plan, waterfront and valley erosion control and waterfront development projects represent 95% of TRCA's 2008 Recommended Capital Budget.

Service improvement projects to develop waterfront parkland account for 5% of the 2008 Recommended Capital Budget.

PART II: ISSUES FOR DISCUSSION

5-Year Capital Plan Issues

Emergent Projects

The following projects are not included in the Recommended TRCA 5-Year Capital Plan but will become increasingly critical over time. Consideration may be given to adding these projects to the Plan in future budget cycles.

Gibraltar Point:

The shoreline along Gibraltar Point, at the Toronto Islands, is eroding at a rapid rate. If no action is taken, significant land loss and property damage will occur along that shoreline and it will pose a risk to public safety. Figure 1 below shows the shoreline in 1939, 1988 and the projected shoreline in 100 years, if no action is taken. A rough estimate of the cost of the erosion control work is \$14.200 million. TRCA and Toronto Water are currently awaiting the outcome of an Environmental Assessment on Gibraltar Point to determine the scope of erosion control work that will be required at that location. TRCA and Toronto Water will submit a joint report, including revised cost estimates, to the Public Works and Infrastructure Committee in early 2008 on this significant project.

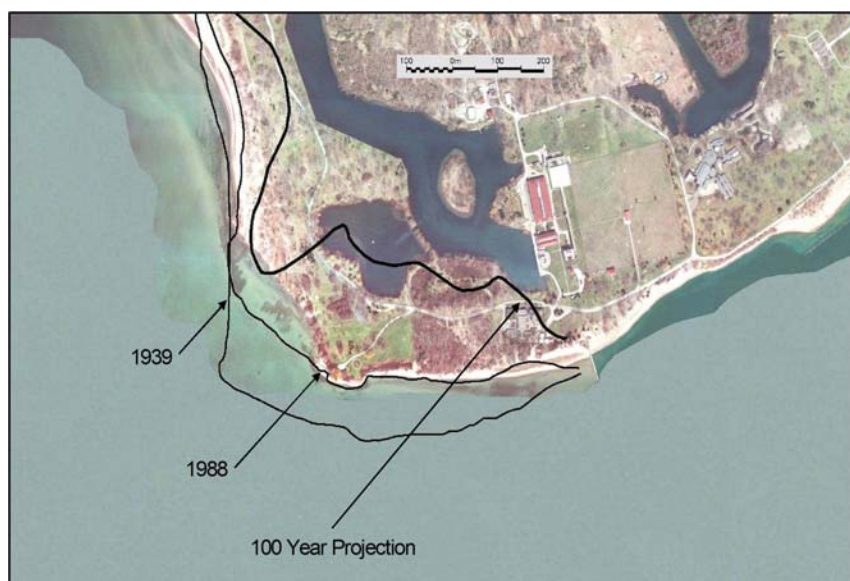


Figure 1: Gibraltar Point - Shoreline Erosion

Other Erosion Control:

The Recommended TRCA 5-Year Capital Plan excludes \$1.473 million in erosion control projects. This recommended reduction enabled TRCA to meet annual debt affordability targets. As time elapses, these projects will reach critical status and will have to be addressed.

Marie Curtis Park/Arsenal Lands:

The Arsenal Lands property was acquired in 1992 jointly by the former Metro Toronto, the Region of Peel, the City of Mississauga, the Province of Ontario and TRCA. The purchase agreement and the subsequent Master Plan provided for the parties to develop the property and the adjacent Marie Curtis Park for use as a regional park. The City of Mississauga has approved funding for the park development and the project is awaiting a funding commitment from the City of Toronto to proceed. Funding would flow not only through the TRCA Capital Budget for Arsenal Lands (\$0.730 million) but also through the Parks, Forestry and Recreation Capital Budget for Marie Curtis Park East which is solely under Toronto jurisdiction (\$1.500 million). These funds are not included in the Recommended 5-Year Capital Plan for either TRCA or Parks, Forestry and Recreation. This project will be reviewed in the 2009 budget process.

Black Creek Pioneer Village:

TRCA has identified the need for a second tier of state-of-good-repair work at Black Creek Pioneer Village, particularly for work on the Visitor Centre roof, commencing in 2010 at a cost of approximately \$1.000 million, which cannot be accommodated within the existing project funding envelope. To meet the debt affordability targets, TRCA did not include this new sub-project in its 2008-2012 Capital Plan nor has it been recommended at this time. This project will be reviewed in future budget cycles.

Energy Efficiency and Retrofits Project:

TRCA has also identified as a priority a new energy efficiency and retrofits project to reduce the impact of increasing energy costs and to minimize the ecological footprints at its Conservation Areas and Conservation Field Centres. TRCA did not include this \$0.700 million project in its 2008-2012 Capital Plan in an effort to comply with the debt affordability guidelines. This project will be reviewed in future budget cycles.

Funding Sources

The Toronto Water contribution to the TRCA 5-Year Capital Plan has been confirmed. The Recommended 5-Year Capital Plan for Toronto Water includes \$17.698 million to partially fund TRCA capital projects related to water quality and quantity: \$3.300 million in 2008; \$3.467 million in 2009; \$3.554 million in 2010; \$3.643 million in 2011; and \$3.734 million in 2012. Toronto Water will continue to evaluate TRCA's capital projects individually on merit and relevance, guided by criteria established through practice in recent years, to determine future year funding.

TRCA is also involved in the City's current Development Charges review process with a view to determining whether any of TRCA's work is eligible for this source of funding.

Motel Strip Expropriation – Future-Year Costs

There will likely be a requirement for City funding in 2008 and beyond for expropriation proceedings on land that TRCA acquired in the Motel Strip/Humber Bay Shores area.

No provision has been made in TRCA's 2008-2012 Capital Plan for costs beyond 2007 since the funding amounts are not yet required and are still unknown because legal proceedings and negotiations have not yet been concluded.

The required funding amounts for 2008-2012 will be requested when they become known, either as part of future-year capital budget processes or as in-year increases to TRCA's future-year capital budgets. Pursuant to an intergovernmental agreement, the City is liable for 50% of the claims against TRCA in this matter and the Province of Ontario is responsible for the other 50%.

Land Acquisition

The TRCA 5-Year Plan includes average annual funding of \$0.080 million for Greenspace Land Acquisition, which pertains to nominal amounts and legal costs to acquire small, environmentally-significant land parcels.

The acquisition of larger parcels of land within TRCA's jurisdiction, often located in other municipalities, for source water protection purposes, is not funded through the TRCA Capital Budget, but rather through the Toronto Water Capital Budget. These acquisitions are subject to a specific set of criteria, including a pre-approved list of properties, and follow a process that was approved by City Council in September 2005. Toronto does not fund more than 50% for land parcels outside of the City; in such cases, the balance of the funding comes from a combination of the other municipalities in TRCA's jurisdiction – namely the Regions of Peel, York and Durham, the Town of Mono and the Township of Adjala-Tosorontio – and private or other donors.

The Recommended 5-Year Capital Plan for Toronto Water includes \$25.500 million for land acquisition for source water protection through TRCA: \$3.000 million in 2008; \$4.500 million in 2009; and \$6.000 million each in 2010, 2011 and 2012.

Appendix 1

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

Appendix 2

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

Appendix 3
2008 Recommended Capital Projects
with Financing Details