

Analyst Briefing Notes

Budget Committee Review

(October 29, 2007)

Page

PART 1: CAPITAL PROGRAM

Executive Summary	2
Recommendations	4
2007 Capital Variance Review	5
5-Year Capital Plan (2008 Recommended Budget, 2009-2012 Plan)	6
5-Year Capital Plan Overview	7
Recommended Changes to the 2007-2011 Capital Plan.....	8
Operating Budget Impact – 5 Year Plan.....	12
Total 2008 Recommended Cash Flow & Future Year Commitments.....	13

PART II: ISSUES FOR DISCUSSION

2008 Capital Budget Issues	15
5-Year Capital Plan Issues	15
Issues Referred to the Budget Process.....	18

APPENDICES

Appendix 1: 2008 Rec'd Capital Budget; 2009 to 2012 Plan and 2013 to 2017 Estimates.19 (a) to (d)	
Appendix 2: 2008 Recommended Cash Flow & Future Year Commitments	20 (a) to (b)
Appendix 3: 2008 Recommended Capital Projects with Financing Details	21 (a)
Appendix 4: Reserve / Reserve Fund Review	N/A

Contacts: Judy Skinner, Manager, Financial Planning
 Tel: (416) 397-4219

Dennis Carter, Senior Financial Planning Analyst
 Tel: (416) 397-4298

October 25, 2007

PART I: CAPITAL PROGRAM**Executive Summary**

- The 2007 Approved Capital Budget of \$15.7 million was 5% spent as at June 30, 2007. Actual expenditures by year-end are anticipated to be \$6.9 million, or 44% of the Approved Budget, resulting in projected 2007 cash flow funding of \$8.8 million being carried into 2008. The under spending is attributed to the delay of the Tundra Project.
- The Recommended 5-Year Capital Plan is driven by the Zoo's Strategic Plan, its Capital Master Plan of 1990 and a number of site studies, including the North Zoo Site Redevelopment Study and the Animal Health Facilities Study.
- The 5-Year Capital Plan, including carry forward funding from 2007 to 2008, totals \$52.016 million with 2008 cash flow of \$14.508 million; \$6.125 million in 2009; \$11.125 million in 2010; \$13.283 million in 2011 and \$6.975 million in 2012.
- The 2008 Recommended Capital Budget and 2009-2012 Capital Plan calls for a total debt of \$21.3 million.
 - The Plan exceeds the Zoo's 2008 debt target by \$0.500 million to fund rehabilitation of bridges.
 - The Plan also anticipates fundraising of \$21.4 million for the Zoo's priority service improvements. The Program may be challenged to raise such a significant sum by 2012.
 - The Plan includes debt service costs of \$0.167 million in 2008 and incremental costs of \$0.735 million in 2009, \$0.578 million in 2010, \$0.574 million in 2011 and \$0.560 million in 2012.
- The Recommended 5-Year Capital Plan, excluding one-year carry forwards, totals \$43.2 million, of which 33% of funding is allocated to State of Good Repair (SOGR) projects and 67% to Service Improvement (SI) initiatives. The latter is driven largely by the North Zoo Site Redevelopment Project and the Elephant Paddock initiative. Although both of these projects are categorized as service enhancements, their completion will in effect greatly reduce the Zoo's SOGR backlog.
- The Recommended 5-Year Capital Plan mirrors the 2007-2011 Capital Plan that Council approved for 2007 except for the deferral of the Orangutan Exhibits Project of \$0.481 million to 2012 and the acceleration of the Giraffe House Refurbishment Project of \$0.481 million to 2011.
- The Toronto Zoo has a current SOGR backlog of approximately \$103.5 million as of the end of 2007. Implementation of the Recommended 5-Year Plan will result in the SOGR backlog being reduced to \$62.0 million by 2012.

- Aside from reducing the current SOGR backlog from \$92.6 million to \$62.0 million by 2012, the Recommended 5-Year Capital Plan sees the completion of the Tundra Biome exhibit, the first phase of the North Zoo Site Redevelopment Project. In addition, if sufficient external funding is secured, the Eurasia phase of the North Zoo Site Redevelopment Project as well as the Elephant Winter Holding/Paddock initiative are also scheduled for completion.
- The Toronto Zoo's Recommended 5-Year Capital Plan would result in new debt service costs of \$0.167 million in 2008 and incremental costs of \$0.735 million in 2009, \$0.578 million in 2010, \$0.574 million in 2011 and \$0.560 million in 2012.
- The 2008 Recommended Capital Budget for the Toronto Zoo, excluding funding being carried forward from 2007 to 2008, is \$5.7 million. This includes \$3.3 million for previously approved commitments and \$2.4 million for new initiatives. Moreover, future year commitments of \$1.7 million result from the approval of the 2008 Recommended Capital Budget.
- The 2008 Recommended Capital Budget will support the completion in 2008 of:
 - Phase I of the North Zoo Site Redevelopment (Tundra Biome);
 - Refurbishment of the Gorilla exhibit in the north end of the Pavilion; and

Continuation of the following projects:

- Replacement of the glass roof at the African Rainforest Pavilion;
- Extension of the computer network to outlying areas using fibre optic cable; and
- The program of grounds and visitor's areas improvements.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Capital Budget for the Toronto Zoo with a total project cost of \$4.034 million and a 2008 cash flow of \$14.508 million and future year commitments of \$1.696 million be approved. The 2008 Recommended Capital Budget consists of the following:
 - a) New Cash Flow Funding for:
 - i) 5 new/change of scope sub-projects with a 2008 total project cost of \$4.034 million that requires cash flow of \$2.338 million in 2008 and a future year commitment of \$1.696 million in 2009;
 - ii) 2 previously approved sub-projects with a 2008 cash flow of \$3.322 million; and
 - b) 2007 approved cash flow for 4 previously approved sub-projects with carry forward funding from 2007 to 2008 totalling \$8.848 million;
2. new debt service costs of \$0.167 million in 2008 and incremental costs of \$0.662 million in 2009, and \$0.187 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. operating impacts of \$0.017 million for 2008 and \$0.139 million for 2009 emanating from the approval of the 2008 Recommended Capital Budget be considered within the overall scope of the Toronto Zoo's 2008 and future years' operating budget submissions;
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; and
5. the 2009-2012 Capital Plan for the Toronto Zoo totaling \$37.5 million in project commitments and estimates, comprised of \$4.429 million in 2009; \$11.125 million in 2010; \$13.283 million in 2011; and \$6.975 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
15,707	806	5	6,859	44	8,848

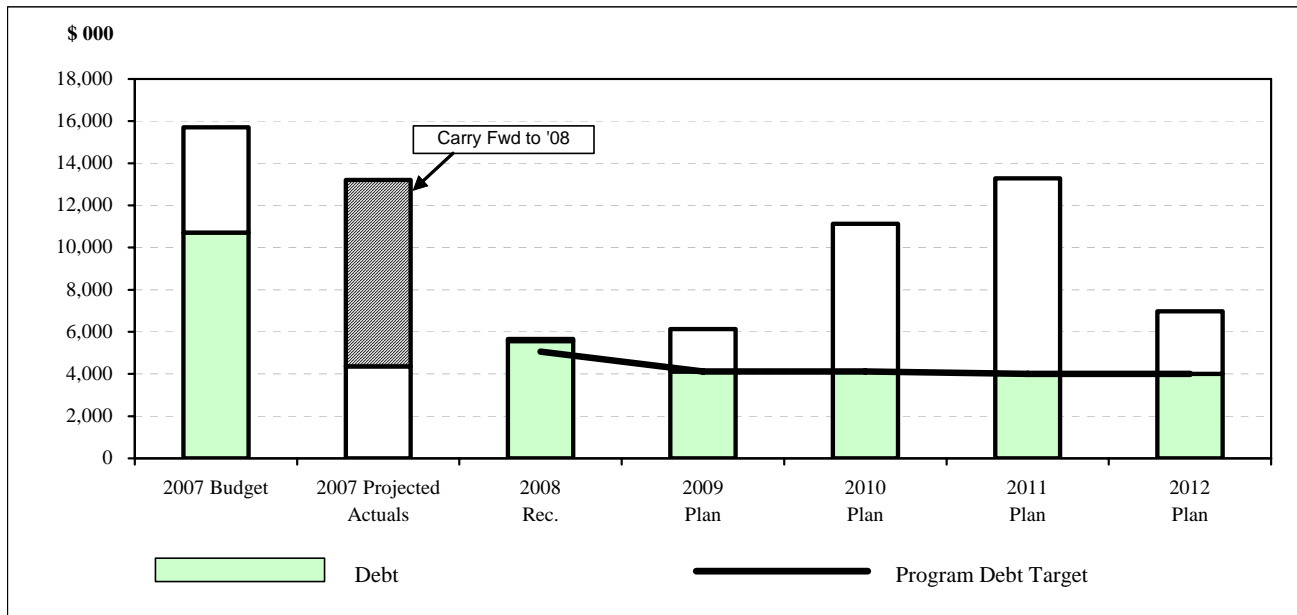
Comments / Issues:

- The Toronto Zoo spent \$0.806 million or 5% of its 2007 approved cash flow of \$15.7 million at June 30, 2007.
- The “Tundra” construction project was delayed due to the redesign of Phase I in late 2006 and early 2007 as the original tender was higher than anticipated and over budget. In July 2007, Council approved a \$2.5 million increase to the Toronto Zoo’s 2007 Capital Budget funded by \$2.5 million of additional contributions from the Toronto Zoo Foundation. The project was re-tendered in 2007 and the tender was awarded with construction commencing in August, 2007. The Tundra project is now projected to be 21% completed in 2007 with \$7.7 million to be carried forward to 2008.
- Phase II of the North Zoo Site Redevelopment design and planning will commence in August / September and is projected to be 51% completed in 2007 with \$0.601 million to be carried forward to 2008.
- The Program’s other capital projects are on schedule as at the end of June, 2007. The Program is projecting to spend \$6.9 million or 44% of its 2007 approved cash flow of \$15.707 million at year-end. The 2006 spending rate of 41% was also due to the significant delay caused by the Tundra project bids coming in over budget late in 2006. Phase I is ready to continue work through the construction seasons of 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							
Gross Expenditures:								
2007 Capital Budget & Future Year Commitments	15,707	4,359	3,322					3,322
Recommended Changes to Commitments								
2008 New/Change in Scope and Future Year Commitments			2,338	1,696				4,034
2009 - 2012 Plan Estimates				4,429	11,125	13,283	6,975	35,812
1-Year Carry Forward to 2008								
		8,848						
Total Gross Annual Expenditures & Plan			5,660	6,125	11,125	13,283	6,975	43,168
Program Debt Target			5,060	4,125	4,125	4,000	4,000	21,310
Financing:								
Recommended Debt			5,560	4,125	4,125	4,000	4,000	21,810
Other Financing Sources:								
Reserves/Reserve Funds								
Development Charges								
Federal								
Provincial								
Other Revenue			100	2,000	7,000	9,283	2,975	21,358
Total Financing			5,660	6,125	11,125	13,283	6,975	43,168
By Category:								
Health & Safety								
Legislated								
SOGR			1,841	3,374	2,080	3,504	3,372	14,171
Service Improvement			3,819	2,751	9,045	9,779	3,603	28,997
Growth Related								
Total By Category			5,660	6,125	11,125	13,283	6,975	43,168
Yearly SOGR Backlog Estimate (not addressed by current plan)			2,259	2,158	1,922	1,630	2,005	9,974
Accumulated Backlog Estimate (end of year)			92,607	88,486	79,004	67,029	61,988	61,988
Operating Impact on Program Costs			17	139		335		474
Debt Service Costs			167	735	578	574	560	2,613

* Note that the 1-Year Carry Forward reflects the budget submission and as reflected in CAPTOR

5-Year Capital Plan Overview

- The Toronto Zoo's 2008-2012 Capital Plan, excluding one-year carry forward funding, requires \$43.168 million gross (\$21.810 million debt) funding, and includes cash flow of \$5.660 million gross (\$5.560 million debt) for 2008, an amount that is \$0.500 million higher than the Program's 2007 Approved Capital Budget of \$5.060 million. The Plan estimates capital funding needs of \$6.125 million gross (\$4.125 million debt) in 2009; \$11.125 million gross (\$4.125 million debt) in 2010; \$13.283 million gross (\$4.000 million debt) in 2011 and \$6.975 million gross (\$4.000 million debt) in 2012.
- The Recommended 5-Year Capital Plan for the Toronto Zoo exceeds the allocated debt target of \$21.310 million by \$0.500 million for rehabilitation of seven bridges on the Toronto Zoo in 2008. The recommended annual debt levels for 2009-2012 conform to the yearly debt targets assigned to the Toronto Zoo.
- The Recommended 5-Year Capital Plan for Toronto Zoo attempts to strike a balance between strategic improvements and capital refurbishment. The 5-Year Plan earmarks \$14.171 million (33%) for state-of-good repair (SOGR) initiatives while the remaining \$28.997 million (67%) is reserved for service improvements (SI). Much of the latter, however will replace existing exhibits that are deteriorating, thereby in effect significantly reducing the Toronto Zoo's current SOGR backlog. For instance, the North Zoo Site Redevelopment Project, though classified as service enhancements, will alone diminish the backlog by over \$27 million once completed.
- It is anticipated that most of the Zoo's Service Improvement projects will not be funded from debt. Of the \$29.0 million recommended for service improvement projects over the next five years, \$21.4 million is to be secured from a major fund raising campaign.
- In its Recommended 5-Year Capital Plan, the Toronto Zoo proposes to fundraise \$9 million by 2010 and an additional \$8.8 million by 2011. The vast majority of these funds are earmarked for the outstanding phases of the North Zoo Site Redevelopment Project as well as for its Elephant Paddock project. The fundraising report with findings and recommendations is currently being finalized. The Toronto Zoo is preparing to launch a major capital fund raising campaign in 2007.
- The Toronto Zoo's inventory of hard assets is valued at more than \$115 million. Due to past funding constraints, the Toronto Zoo has accumulated a SOGR backlog of approximately \$103.5 million by the end of 2007. Implementation of the Recommended 5-Year Plan will result in the SOGR backlog being reduced to \$62.0 million by 2012. Although the Plan addresses approximately 40% (\$41.5 million) of the current deficit, the fact is that over \$8.3 million would be required annually, over the next ten years, to eliminate the backlog entirely. This yearly amount alone is almost double the Program's average five-year debt target of \$4.26 million per year.
- The only other new project added to the 5-Year Capital Plan is \$0.100 million, with no debt funding, in 2008, for feasibility studies to implement Toronto's Sustainable Energy Plan at the Toronto Zoo. Funding sources are yet to be established as part of the implementation of the City's Energy Plan, with details of the funding sources and framework to be reported at a later date.
- The Toronto Zoo's Recommended 5-Year Capital Plan will result in new debt service costs of \$0.167 million in 2008 and incremental costs of \$0.735 million in 2009, \$0.578 million in 2010, \$0.574 million in 2011 and \$0.560 million in 2012.

Multi-Year Debt Affordability Target

The debt target for 2008 is exceeded by \$0.500 million resulting from the recommended one time funding for rehabilitation of bridges (see page 13) The 2009-2012 Capital Plan has met the Council approved debt affordability targets for each of the five years. This has been achieved by deferring projects into future years, revising the scope of planned projects and incorporating external funding sources as outlined on page 6.

The Toronto Zoo will have difficulty in meeting its future year's capital requirements without significant contributions from non-debt sources of funds. Over the course of the Recommended 5-year Capital Plan, debt comprises a smaller percentage of annual financing year by year through to 2011. Debt financing funds almost 100% of the 2008 cash flow and diminishes to 30% of the financing in 2011 and then increases to 57% in 2012.

Recommended Changes to the 2007 – 2012 Capital Plan

The Orangutan II & III Indoor/Outdoor Exhibits Project had planned cash flow of \$0.481 million for 2011. The project has been postponed a further year, to start in 2012 in order to allow for the acceleration of the Giraffe House Refurbishment Project which requires \$1.044 million in 2011.

The giraffe house is one of the Toronto Zoo's original structures and due to its deteriorating condition its upgrade or replacement was planned to start in 2012. The Giraffe House Project was listed as a major concern in the AZA Accreditation report in 2007 and therefore the project has been advanced one year, to start in 2011 instead of 2012.

An additional \$0.500 million in funding for the rehabilitation of seven bridges on the Toronto Zoo site is recommended for 2008. A Bridge Condition Evaluation was conducted in 2007 and outlined a series of repairs and rehabilitation for the bridges. This request was included as a sub-project in the Building & Services Refurbishment Project request. It was not included in the 2007 Approved 5-Year Capital Plan and results in the Toronto Zoo being \$0.500 million over the approved debt target for 2008.

The 2008 Recommended Capital Budget includes \$0.100 million additional funding to determine the feasibility and cost of the "Green Plan" developed by the Toronto Eco-Zoo Team and approved in principle by the Board of Management in July, 2007. Funding sources for these energy conservation initiatives are yet to be established as part of the implementation of City's Energy Plan, with details of the funding sources and framework to be reported in late 2007 or early 2008.

Program Capacity and Readiness to Proceed

Average spending of \$4.1 million or 46% over the last two years (2006-2007) is due to timing delays associated with the re-tendering of the North Zoo Site Redevelopment Project. The recommended 2008 cash flow, including funding for carry forward projects, is \$14.5 million consisting of \$12.170 million or 87% for previously approved funding for the North Site Redevelopment Project. The tendering and contract arrangements are now completed and the project is proceeding with an anticipated completion in the late Fall of 2008 and a possible opening in the early months (winter) of 2009. Completion of the North Site Project alone will result in spending 87% of the Recommended Capital Budget cash flow for 2008.

Toronto Zoo is ready to proceed with the 2008-2012 Recommended Capital Plan. The Environmental assessments and project planning have been completed resulting in realistic cash flow requirements included in the Recommended 5-Year Capital Plan. The Toronto Zoo plans on raising \$14.0 million from private sources to complete the next two phases of the North Site Redevelopment Project. The Toronto Zoo will launch a major fund raising campaign in 2007. The scale of projects may be adjusted as fund raising proceeds.

Backlog of Projects – Unmet Needs

The Toronto Zoo's inventory of hard assets is valued at more than \$115 million. Due to past funding constraints, the Toronto Zoo has accumulated a SOGR backlog of approximately \$103.5 million by the end of 2007. Implementation of the Recommended 5-Year Capital Plan will result in the SOGR backlog being reduced to \$62.0 million by 2012.

Although the Plan addresses approximately 40% (\$41.5 million) of the current deficit, the fact is that over \$8.3 million would be required annually, over the next ten years, to eliminate the backlog entirely. This yearly amount alone is almost double the Program's average five-year debt target of \$4.26 million per annum.

Strategic Priorities:

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

- *A Clean Green and Beautiful City*

The 5-Year Capital Plan includes \$0.100 million in additional funding to determine the feasibility and cost of the "Green Plan" developed by the Toronto Eco-Zoo Team and approved in principle by the Board of Management in June, 2007.

Other City Initiatives:

The Toronto Zoo's 5-Year Capital Plan includes the following major capital initiatives:

Summary of Major Capital Initiatives

	\$000s						
	2008 Rec. Budget	2009 Plan	2010 Plan	2011 Plan	2012 Plan	Total 2008 -2012	Total 2013 -2017
Facilities : New and Expanded							
North Zoo Site Redevelopment	11,653	713	5,988	9,269		27,623	3,677
Giraffe House Refurbishment			102	1,044	500	1,646	
Elephant-Winter and Paddock		2,038	3,057			5,095	
Total new and Expansion	11,653	2,751	9,147	10,313	500	34,364	3,677
IT (Information Services)		530	255	255	102	1,142	
Total	11,653	3,281	9,402	10,568	602	35,506	3,677
Other Major City Initiatives:							
Study for "Green Plan"	100					100	
Total	100	0	0	0	0	100	0

- **North Zoo Site Redevelopment Project**

The North Zoo Site Redevelopment Project is the dominant project at the Toronto Zoo requiring \$27.7 million or 53% of the planned funding for capital projects in the 2008-2012, 5-Year Capital Plan. The North Zoo Site Redevelopment will complete more efficient integration of visitor site circulation changes at the Toronto Zoo by bringing important Canadian animal exhibits now in the Rouge Valley up into the table lands. The construction has been planned in 4 Phases, over the next six years, to match debt target and fund-raising plans.

Phase I: Tundra Biome, under construction, will feature expansion of the existing polar bear exhibit, along with the development of the remainder of the Tundra exhibits incorporating interactive displays of cultural and ecological significance. The construction of the Tundra will be largely completed in 2008 with recommended cash flow of \$11.7 million representing 80% of the total recommended cash flow for 2008, for a major opening in 2009.

Phase II: Eurasia Rehabilitation, will consolidate and intensify the experience by shortening the visitor path in the existing Eurasia area. Phase II design commenced in September, 2007. An important component of the improvement includes a themed ride in the area, as recommended in the Revenue & Visitor Experience Enhancement Study. Renovation of this area in 2009-2010 is necessary to make way for the Phase III construction.

Phase III: Mixed Woodland Biome/Boreal Forest Biome, completes the Canadian Wilderness Experience area and will feature a new Orientation Centre, moose, beaver and otter exhibits, and a drive-through bison/elk paddock on the Zoomobile tour. Funds are planned for 2010-2011. At this time it is intended to tender Phase II and III at the same time for greater efficiency and potential cost savings.

Phase IV: Tropical Americas Rehabilitation, will involve the relocation and consolidation of the South America exhibits along with the refitting of a portion of the exhibits in the Americas Pavilion for Tropical American animals. Funds are included in the 10-Year Forecast in 2014-2015.

- **Building & Services Refurbishment**

The Building & Services Refurbishment Project requires \$7.067 million or 14% of the planned funding for capital projects in the 2008-2012, 5-Year Capital Plan. The Building & Services Refurbishment project, the result of a Building Audit Report approved by the Board in 1998, implements the repair or replacement of building components requiring SOGR attention over the next fifteen years. In 2008, work will continue on a major replacement of the glass roof at the African Rainforest Pavilion. Also included are plans for ongoing repairs to wooden trellis structures, deteriorated cedar siding and flashing on various animal holding and service buildings. Mechanical equipment, outdated electrical cables, substations and transformers will be replaced as recommended in the Building Audit. The water supply to the Operations Complex will be increased to provide added pressure for fire fighting purposes, as part of the construction of the Tundra Biome.

- **Information Systems**

The Information System Project requires \$1.1 million or 2% of the planned funding for capital projects in the 2008-2012, 5-Year Capital Plan. In 2008, the Toronto Zoo will complete the post implementation study on the ERP system and will finalize their work on the extension of the computer

network throughout the main buildings and outlying areas using the fibre optic cable laid previously. This system will be used to extend computer resources for staff and internet links of our collection to the outside world. The replacement of the Toronto Zoo's internal telephone system will be initiated in 2008.

- **Exhibit Refurbishment**

The Exhibit Refurbishment Project requires \$2.6 million or 5% of the planned funding for capital projects in the 2008-2012, 5-Year Capital Plan. In 2008, the Toronto Zoo will begin renovations on the exhibits in the south end of the African Rainforest Pavilion. After completion of the Gorilla I project in the north half of the Pavilion with new and improved habitat detailing and rockwork, the remaining portions of the Pavilion will be upgraded. Exhibit Refurbishment is an ongoing Capital project for the Toronto Zoo.

- **Elephant Winter Holding**

The Elephant Winter Holding Project requires \$5.1 million or 10% of the planned funding in the 2008-2012, 5-Year Capital Plan. A feasibility study was initiated in 2007 to study the future requirements of maintaining a herd of elephants due to increasing standards for the care of these animals in the Toronto Zoo. Depending on the outcome of the feasibility study, this project may involve an expansion and modification of the elephant exhibit to provide additional space for the elephants and enhanced viewing experience for visitors. The anticipated starting date for this project is 2009.

- **Giraffe House Refurbishment**

The Giraffe House Refurbishment Project requires \$1.6 million or 3% of the planned funding recommended in the 2008-2012, 5-Year Capital Plan. The Giraffe House was listed as a major concern in the AZA Accreditation report in 2007 and therefore the project is being advanced in the CWP. The house requires a restraint unit to be installed, new floors with non-slip material, sufficient storage and services, and a shelter/shade structure to provide a year round exercise area for the giraffes. The anticipated starting date for this project is 2010.

- **Animal Health Care**

The Animal Health Care Project requires \$4.1 million or 8% of the planned funding in the recommended 2008-2012, 5-Year Capital Plan. Construction of the Quarantine Facility was completed earlier in 2007, as the first phase of the Animal Health Facilities project. Detailed design of a new animal hospital and research facilities is planned for 2011 with construction to follow in 2012.

- **Implementation of the "Green Plan"**

\$0.100 million in additional funding is recommended for 2008 to determine the feasibility and cost of the "Green Plan" developed by the Toronto Eco-Zoo Team and approved in principle by the Board of Management in July, 2007.

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)	17	139			
Approved Positions	2				
Debt Service Charges (\$000s)	167	662	187		
Recommended 2009-2012 Capital Plan					
Program Costs (net) (\$000s)				335	
Approved Positions				8	
Debt Service Charges (\$000s)		73	391	574	560
Total					
Program Costs (net) (\$000s)	17	139		335	
Approved Positions	2			8	
Debt Service Charges (\$000s)	167	735	578	574	560
<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 following operating impacts will result from the approval of the Recommended 5-Year Capital Plan:

- As a result of the 2008 Recommended Capital Budget \$0.156 million is required over the next two years for two additional keepers as well as service requirements associated with the North Zoo Site Redevelopment Tundra initiative. The anticipated opening of the Tundra is early in 2009. Included in the Zoo's 2008 Operating Budget Submission is the request to recruit the two staff in the last three months of 2008, requiring \$0.017 million in 2008 with the annualized amount anticipated to be \$0.139 million in 2009.
- The impact of approving the 2009-2012 Capital Plan is \$0.335 million for eight additional staff as well as corresponding materials and supplies is required upon the completion of the mixed Woodland/Boreal Forest phase of the North Zoo Site Redevelopment Project in 2011.

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		3,322		3,322		8,848	12,170						12,170
Change in Scope													
New			1,556	1,556			1,556						1,556
New w/Future Year			782	782			782	1,696					2,478
Total Expenditure		3,322	2,338	5,660		8,848	14,508	1,696					16,204
Financing													
Debt		3,322	2,238	5,560	5,060	3,658	9,218	1,696					10,914
Subsidy (SCPI)													
Prov. Subsidy/Grant													
Development Charges													
Other			100	100		5,190	5,290						5,290
Federal Grants													
Reserves/Res Funds													
Total Financing		3,322	2,338	5,660		8,848	14,508	1,696					16,204

Comments / Issues:

- The 2008 Recommended Capital Budget for Toronto Zoo is \$14.508 million. This includes \$8.848 million in funding being carried forward from 2007, \$3.322 million for previously approved commitments, and \$2.338 million for new capital projects.
- Approval of the 2008 Recommended Capital Budget will result in a future year commitment of \$1.696 million in 2009 for the continued implementation of the African Rainforest Refurbishment project. Tenders will be released in 2008 for construction that will span two years to avoid disruption of visitor's services.
- The 2008 Recommended Capital Budget, which is 98% funded from debt, exceeds the \$5.060 million debt target for 2008 by \$0.500 million resulting from the recommended one time funding for the rehabilitation of bridges.
- The carry forward funding of \$8.8 million from 2007 requires \$5.2 million funding from sources other than debt.

2008 Recommended Capital Budget

2008 Recommended Capital Budget versus Debt Target

The 2008 debt affordability guideline for Toronto Zoo is set at \$5.1 million. This target represents a 22% decrease from the \$6.2 million in new debt that was approved for 2007.

The recommended debt level of \$5.560 million for 2008 capital projects exceeds the \$5.060 million 2008 debt target by \$0.500 million, resulting from the recommended one time funding for the rehabilitation of bridges. Of this recommended debt level, \$3.3 million or 60% will fund previously approved projects while 40% is allocated towards new projects.

Recommended Capital Budget by Category

In keeping with the corporate guidelines, the 2008 Recommended Capital Budget for the Toronto Zoo accommodates the Program's highest priority needs. Of the \$14.508 million capital expenditures recommended, 21% or \$2.986 million is slated for SOGR projects, and 79% or \$11.522 million is earmarked for Service Improvements, in particular the continuation of the North Zoo Site Redevelopment Project. This initiative, however, will not only improve the visitor experience and quality of animal accommodation once completed, but address the State of Good Repair backlog deficiencies as well.

PART II: ISSUES FOR DISCUSSION

2008 Capital Budget Issues

The Toronto Zoo's 2008 Recommended Capital Budget closely matches the 2008 expenditures that were planned for in the Program's 2007-2011 Capital Plan. The only changes recommended for 2008 are the addition of \$0.500 million to fund the rehabilitation of bridges, and the inclusion of \$0.100 million a project for a feasibility study of potential Green Projects at the Zoo.

Rehabilitation of Bridges

The 2008 Recommended Capital Budget includes \$0.500 million in additional funding for Building & Services in 2008. The funding will repair and rehabilitate seven bridges on the Toronto Zoo site based on a Bridge Condition Evaluation conducted by an engineering consultant in early 2007. The \$0.500 million additional funding requirement was not reflected in the 2008 debt target and the additional debt is recommended as a one time increase making the health and safety issues a priority.

Feasibility Study of Potential Green Projects

The 2008 Recommended Capital Budget includes \$0.100 million additional funding to determine the feasibility and cost of the "Green Plan" developed by the Toronto Eco-Zoo Team and approved in principle by the Board of Management in July, 2007. New energy conservation capital projects that are eligible for funding in the City's Energy Plan will be identified. The funding of any potential Green Projects is not foreseen to be from debt. Funding sources are yet to be established as part of the implementation of City's Energy Plan, with details of the funding sources and framework to be reported to Council in late 2007 or early 2008.

5-Year Capital Plan Issues

Future Year Targets

North Zoo Site Redevelopment Project

In 2003, staff and consultants completed the North Zoo Site Redevelopment Feasibility Study. The report resulted in a recommendation for a major reorganization of this area, including a re-definition of the Canadian Domain into three bio-zones and its relocation up onto the tableland where it can be integrated within the current zoomobile circulation route. The study also called for the overhaul and relocation of the Eurasia and Americas exhibits.

In December 2005, the City permitted the Toronto Zoo to apply \$2 million of its OMERS contribution holiday savings towards the project, and in 2007 the Toronto Zoo secured an additional \$2.5 million from the Toronto Zoo Foundation to help fund Phase I of the North Zoo Site Redevelopment. As a result, \$11.653 million funding is recommended for 2008.

In total, the Recommended 5-Year Capital Plan for the Toronto Zoo includes funding of approximately \$27.6 million to follow through on the first three phases of this initiative. Due to the Program's reduced debt targets in the outer years, the Tropical Americas exhibit (Phase IV) project was again deferred to past 2013.

North Zoo Site Redevelopment Project-Cash Flow

(\$ millions)	2008	2009	2010	2011	2012	5-Year planTotal	2014-2015
Detailed Design	0.69					0.69	
I Tundra Biome	10.963					10.963	
II Eurasia Redevelopment		0.713	4.01	0.568		5.291	
III Woodland / Boreal Forest			1.978	8.701		10.679	
IV Tropical Americas							3.677
Totals	11.653	0.713	5.988	9.269		27.623	3.677
Debt	6.463	0.013	1.488	0.496		8.46	2.127
% Debt Funding	55%	2%	25%	5%		31%	58%

The Recommended 2008-2012 Capital Plan for the Toronto Zoo incorporates the next two phases: Eurasia and Mixed Woodland/Boreal Forest. Of the \$16.0 million required by 2011 to complete these stages of the Project, the Toronto Zoo plans on raising almost 88% (14.0 million) from private sources.

As a partner with the City, the Toronto Zoo is committed to working with the City to obtain more "non-City" funding for capital projects. In 2006, fundraising consultants were retained to develop a strategy to secure increased funding and ultimately to secure increased funding to support future capital needs.

Although the Program has carried out an assessment of its fundraising potential, and is confident that it can adequately augment the City's investment in its capital improvements, securing such a significant amount of non-City funding over the next four years may be extremely challenging. The Zoo has never conducted a capital fundraising campaign of this magnitude in the past. With a growing number of public institutions looking to private sources to fund their capital requirements, competition for donations is becoming increasingly intense. It may therefore be a challenge for the Zoo to raise the \$14.0 million for the Project, along with the \$3.8 million slated for its elephant initiative, in such a relatively short time span. While such large successful fundraising appeals are not without precedent, for instance in 1994 the St. Louis Zoo commenced a four-year campaign that raised \$70 million U.S. (\$7 million more than its original goal) specifically for its capital needs, the Program's own consultants have cautioned that it takes "3-5 years to develop mature revenue generation operations".

With the view that the Zoo's fundraising forecasts might be exceedingly optimistic, the Recommended 5-Year Capital Plan binds the Program to only completing the Tundra Biome exhibit. While committing to this crucial phase of the North Zoo Site Redevelopment Project provides compelling assurances to potential sponsors and donors that the City and the Zoo are truly dedicated to revamping its offerings, if private funding is not forthcoming, available debt could then be re-allocated to other SOGR work. Nevertheless, it is hoped that such a commitment will bolster efforts to fundraise for the remaining phases of the North Zoo Site Redevelopment Project as well as the Elephant Paddock initiative.

The fundraising report with findings and recommendations is currently being finalized. The Toronto Zoo is preparing for a major capital campaign to begin as soon as possible. The scale of the campaign and the list of projects to be funded are under discussion. As this information becomes available, the recoveries for various projects will be updated.

Like most City Programs, the Toronto Zoo's five-year debt funding levels are insufficient to address all of its competing demands. To exacerbate matters, the Program's yearly debt allocation steadily decreases from \$6.2 million in 2007 to \$4.0 million in 2011. Such constraints clearly preclude the Zoo from engaging in much needed service improvements while simultaneously tackling its sizeable SOGR backlog. In the current fiscal environment, the Program has revised its spending plans in order for the City is to achieve its debt affordability objectives.

Escalating Construction Costs

The re-tendering of several large construction projects in 2007 was the result of construction costs escalating at rates higher than inflation and highlights the need to readjust the five-year plan and targets for inflation. In Toronto, the Construction Index increased by 27.6% between 2002 and 2006, while the Consumer Price Index for the same period increased by 8.4%. The increase for the same metrics in the second quarter of 2007 vs. 2006 was 11.3% and 2.0% respectively. The cost escalation issue invariably impacts the timing of awarding contracts for the projects and while amounts are fully committed, delays in cash-flow spending within the timeframe of the plan result in the need to carry forward the funding for these large projects. There are a limited number of suppliers who can meet the specialized construction requirements related to Toronto Zoo exhibits, resulting in delays and increases in cost when they are busy.

Implementation of the "Green Plan"

The 2008 Recommended Capital Budget includes \$0.100 million additional funding to determine the feasibility and cost of the "Green Plan" developed by the Toronto Eco-Zoo Team and approved in principle by the Board of Management in June, 2007. Funding sources are yet to be established as part of the implementation of City's Energy Plan, with details of the funding sources and framework to be reported to Council in late 2007 or early 2008. The feasibility study, when completed, may have significant impact on the 5-Year Capital Plan.

Categorization of Projects

The categorization of facility renewal projects, such as the North Zoo Site Redevelopment Project, does not reflect the dual nature of the projects. These projects are included as Service Improvement projects; yet upon completion, they will reduce the State of Good Repair backlog.

State of Good Repair Backlog and Unmet Needs

In its 1990 Capital Master Plan, the Zoo identified \$125.5 million worth of projects that were in need of good repair and that were to be addressed over the next 25 years. Due to budgetary constraints, however, a number of projects have been continuously deferred. The update to the 1990 Master Plan will start in 2008. The updated State of Good Repair backlog will include escalated costs as the result of inflationary increases and construction cost escalations.

In light of this considerable maintenance deficit, it is clear that preserving the physical integrity of the Zoo's facilities must remain the focus of any current and future capital expenditures. The Zoo's Recommended 5-Year Capital Plan recognizes this fact by attempting to tackle \$41.7 million (40%) of this backlog, between 2008-2012.

Issues Referred to the Budget Process

No issues were referred to the 2008 Capital Budget Process

Outstanding Issues from Prior Years

There are no issues outstanding from prior years.

.

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