

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.....	11
Total 2008 Recommended Cash Flow & Future Year Commitments	12

PART II: ISSUES FOR DISCUSSION

2008 Capital Budget Issues	14
5-Year Capital Plan Issues	14
Issues Referred to the Budget Process	N/A

APPENDICES

Appendix 1: 2008 Recommended Capital Budget & 2009 to 2012 Plan and 2013 to 2017 Estimates.....	15 (a) to (c)
Appendix 2: 2008 Recommended Cash Flow & Future Year Commitments	16 (a) to (b)
Appendix 3: 2008 Recommended Capital Projects with Financing Details	17 (a)
Appendix 4: Reserve / Reserve Fund Review	N/A

Contacts: Judy Broughton, Manager, Financial Planning
Tel: (416) 392- 8393

Tom Perdikis, Financial Planning Analyst
Tel: (416) 397- 4478

September 11, 2007

PART I: CAPITAL PROGRAM**Executive Summary**

- The 2007 Approved Capital Budget of \$11.131 million was \$0.515 million or 4.6% spent as at June 30, 2007. Actual expenditures by year-end are anticipated to be \$7.166 million, or 64% of the Approved Budget, resulting in projected 2007 cash flow funding of \$3.965 million being carried forward into 2008. This projected under expenditure is primarily due to delays with the York Street Expansion Joint project. The project is being coordinated with GO Transit's work on the train tracks at the same location which started later than originally anticipated. Under-spending is also attributed to the Pedestrian Bridge Project that was delayed as a result of late approval from Parks Canada and co-ordinating the project with the TTC.
- The 2008 Recommended Capital Budget; 2009 to 2012 Plan and 2013 to 2017 Estimates total \$94.020 million of which \$89.502 million is projected for the Program's 5-Year Capital Plan requiring cash flow of \$19.896 million in 2008, \$13.053 million in 2009, \$20.253 million in 2010, \$20.050 million in 2011 and \$16.250 million in 2012. The 5-Year Plan exceeds the program debt targets in the amount of \$40.086 million in order to fund essential SOGR capital works arising from a Building Condition Assessment of the facility.
- The 2008 Recommended Capital Budget and 2009-2012 Capital Plan is comprised of three major components:
 - On-going State of Good Repair Projects
 - New State of Good Repair Projects identified as a result of the Building Condition Assessment; and
 - Service Improvement Projects
- Previously approved state of good repair projects in the 5-Year Capital Plan include replacement of the pedestrian bridge along Front Street (\$1.056 million); Copper Roof Repairs (\$2.090 million); Replacement of Terazzo Flooring in the Great Hall (\$0.375 million); Exterior Façade Repairs (\$0.819 million) and Construction of the South Tunnel (\$3.000 million).
- A building condition assessment was conducted in 2007, identifying a SOGR backlog of \$196.769 million. As a result, the following projects were included in the 5-Year Capital Plan: Phase 2 of the Expansion Joint Replacements (\$0.762 million); Environmental project (\$0.137 million); Interior Finishes (\$9.279 million); Revitalization and Heritage Fees (\$6.974 million), Emergency Fund (\$0.400), Mechanical/Electrical project (\$18.108 million); Structural project (\$18.555 million); Installation of Sprinklers (\$1.949 million); Heating and Air Conditioning upgrades (\$2.872 million) and the Re-roofing projects (\$5.009 million). These projects advance the city's strategic priorities to develop public spaces that require refurbishment and improvement.

- The Service Improvement projects included in the 5-Year Plan consist of the South Access Tunnel project (\$3.000 million), the construction of a Loading Dock (\$2.880 million) and the Union Station Security Response project (\$6.551 million). The Union Station Security Response project is a new project that will be 75% or \$4.913 million funded by Transport Canada. Funding will provide enhanced security measures at Union Station.
- The 2008 Recommended Capital Budget, including previously approved commitments, requires new 2008 cash flow of \$16.543 million gross with debt funding of \$10.383 million bringing Union Station's 2008 Recommended Capital Budget \$3.200 million over the debt guideline. This cash flow combined with carry forward funding of \$3.353 million for 2007 projects brings the total 2008 Recommended Capital Budget to \$19.896 million gross.
- 64% of the 2008 recommended new cash flow is allocated to Service Improvement projects, 9% is allocated to Health & Safety projects and 27% is allocated to State-of-Good-Repair projects.
- The 2008 Recommended Capital Budget includes \$3.381 million for state of good repair projects. The projects include the continuation of copper roof repairs (to be completed in 2010), the replacement of terrazzo flooring (to be completed in 2009) and exterior façade repairs (to be completed in 2008). The Pedestrian Bridge project, currently under construction, will be completed in 2008. The new state of good repair projects include the Interior Finishes project (anticipated to be completed in 2012) and the Revitalization and Heritage Consulting fees project (consulting services to conduct detailed design and development work will begin in 2008). The service improvement projects which include the South Access Tunnel project, the construction of a loading dock and the Union Station Security project will be ready to proceed in 2008.
- A report on the Revitalization of Union Station will be going forward to Council for its consideration this Fall. Federal funding of \$25 million has been committed for the revitalization of Union Station.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Capital Budget for Union Station with a total project cost of \$28.949 million and a 2008 cash flow of \$19.896 million and future year commitments of \$19.492 million be approved. The 2008 Recommended Capital Budget consists of the following:
 - a) New Cash Flow Funding for:
 - i) 7 new sub-projects with a 2008 total project cost of \$28.949 million that requires cash flow of \$8.450 million in 2008 and a future year commitment of \$6.244 million in 2009 \$3.115 million in 2010, \$4.151 million in 2011 and \$5.023 million in 2012;
 - ii) 6 previously approved sub-projects with a 2008 cash flow of \$8.093 million and a future year commitment of \$0.731 million in 2009 and \$0.228 million in 2010; and
 - b) 2007 approved cash flow for 1 previously approved sub-project with carry forward funding from 2007 into 2008 totalling \$3.353 million;
2. new debt service costs of \$0.165 million in 2008 and incremental costs of \$0.734 million in 2009, \$0.564 million in 2010, \$0.467 million in 2011 and \$0.607 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; and
3. the 2009-2012 Capital Plan for Union Station totalling \$69.606 million in project commitments and estimates, comprised of \$13.053 million in 2009; \$20.253 million in 2010; \$20.050 million in 2011; and \$16.250 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
11,131	515	5	7,166	64	3,965

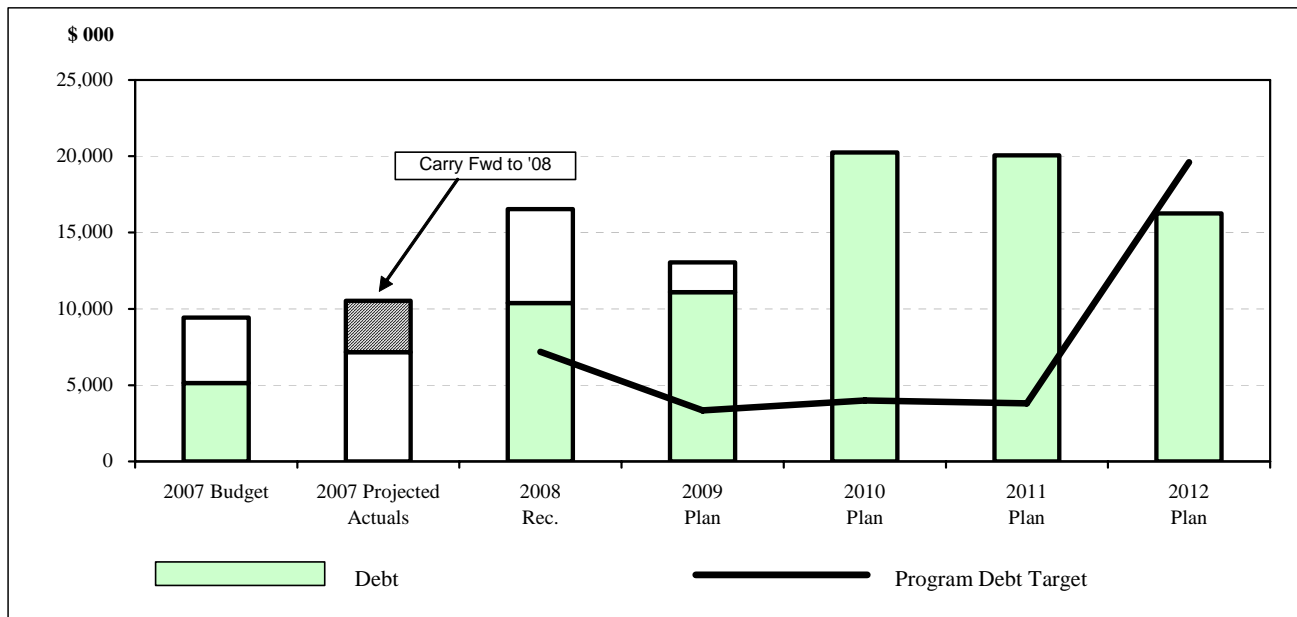
Comments / Issues:

- At June 30, 2007, a total of \$0.515 million or 4.6% of the 2007 Approved Cash Flow of \$11.131 million was spent on Union Station. Under spending is mainly due to the construction delays for the York Street Expansion Joint project. The project was being coordinated with GO Transit's work on the train tracks. GO Transit had started work on the train tracks later than anticipated. Under-spending is also attributed to the Pedestrian Bridge Project as a result of delays in receiving approval from Parks Canada and co-ordinating the project with the TTC. The remaining Union Station projects, which include the Building Condition Assessment and the Northwest Path Connection will be completed by year-end. The 2007 approved funding for the Terrazzo Flooring project will be utilized in 2007.
- The projected year-end expenditures are \$7.166 million or 64.4% of the 2007 Approved Cash Flow of \$11.131 million. This represents a decrease of 5% compared to the 69% spending rate achieved in 2006.
- The 2007 funding being carried forward in the amount of \$3.353 million, as reflected in the 2008 Recommended Capital Budget, is lower than the year-end projected underspending identified in the 2nd Quarter Variance Report. This discrepancy will be reviewed and any adjustments will be subsequently reported through the 2008 Capital Budget process. The 2007 carry-forward funding is required to complete the Union Station Security Project. Delays were due to the difficulties in getting a consulting team in place and processing requests for proposals. Further delays also included obtaining Heritage approval from Parks Canada and Heritage Preservation Services.
- Construction on the replacement of the Pedestrian Bridge project resumed in September, 2007. The project is anticipated to be completed by October 2008.

Cost Containment Impact

No Capital Projects have been deferred as a result of cost containment.

5-Year Capital Plan (2008-2012)



	2007		5-Year Plan					
	Budget	Projected Actual	2008	2009	2010	2011	2012	2008-2012
Gross Expenditures:								
2007 Capital Budget & Future Year Commitments	9,425	7,166	8,093	731	228			9,052
Recommended Changes to Commitments								0
2008 New/Change in Scope and Future Year Commitments			8,450	6,245	3,115	4,151	5,023	26,984
2009 - 2012 Plan Estimates				6,077	16,910	15,899	11,227	50,113
1-Year Carry Forward to 2008		3,353						
Total Gross Annual Expenditures & Plan	9,425	10,519	16,543	13,053	20,253	20,050	16,250	86,149
Program Debt Target	3,643		7,183	3,338	4,003	3,800	19,614	37,938
Financing:								
Recommended Debt	5,143		10,383	11,088	20,253	20,050	16,250	78,024
Other Financing Sources:								
Reserves/Reserve Funds								0
Development Charges								0
Federal	4068		2,948	1,965				4,913
Provincial								0
Other Revenue	214		3,212	0	0	0	0	3,212
Total Financing	9,425		16,543	13,053	20,253	20,050	16,250	86,149
By Category:								
Health & Safety	3,123		2,646	861	9	9	9	3,534
Legislated	0							
SOGR	520		3,814	8,132	20,244	20,041	16,241	68,472
Service Improvement	5,782		10,083	4,060	0	0	0	14,143
Growth Related								
Total By Category	9,425		16,543	13,053	20,253	20,050	16,250	86,149
Yearly SOGR Backlog Estimate (not addressed by current plan)								
Accumulated Backlog Estimate (end of year)		196,769	190,495	180,858	161,964	143,274	128,282	128,282
Operating Impact on Program Costs			0	0	0	0	0	0
Debt Service Costs			311	1,475	1,827	2,829	2,693	9,136

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

5-Year Capital Plan Overview

Overview

The 2008 Capital Budget and 2009-2012 Capital Plan for Union Station is comprised of ongoing state of good repair projects. A Building Condition Assessment was carried out during 2007 and is the basis of the new state of good repair projects, health & safety and service improvement projects that have been identified in the 2008 5-Year Recommended Capital Budget for Union Station. The Service Improvement projects include the South Access Tunnel, the construction of a loading dock and the Security Response System Project. In total, \$89.503 million has been recommended for the 5-Year Capital Plan for the restoration of Union Station.

Ongoing State of Good Repair Projects

The ongoing state of good repair projects include the replacement of the Terrazzo Flooring of the Great Hall project (\$0.267 million), the Copper Roof Repairs project (\$1.239 million) and the Exterior Façade project (\$0.819 million) which will be completed by 2009. The Health and Safety-related projects include the replacement of the Pedestrian Bridge along Front Street (\$1.056 million) which will be completed in 2008, the York Street Expansion Joint project Phase 2 (\$0.762 million) will be completed in 2008 and the South Access Tunnel (\$3.000 million) will be completed in 2008.

New State of Good Repair Projects

The new state of good repair projects are supported by the Building Condition Assessment. They have been categorized into the following project types: Interior Finishes, Mechanical and Electrical projects, Structural projects, Environmental projects, Emergency Fund for Capital Repairs that may be required and the Revitalization and Heritage Fees project. Total funding in the amount of \$58.062 million has been included in the Recommended 5-year Capital Plan.

Service Improvement Projects

Two new service improvement projects are recommended: the Construction of a Loading Dock and the Union Station Data Response Security project. The loading dock will be constructed at the southwest corner of Union Station. Construction of the loading dock will be coordinated with GO Transit's train track work and platform reconstruction. The total cost for the loading dock project is \$2.880 million (\$1.440 million in 2008 and 2009 respectively).

The Union Station Security Project will implement an Emergency Voice Communication and Integrated Emergency Information Display System and a Physical Protection System. The project will provide a security control centre and staff emergency responders to provide a multi-format capability to deliver clear and timely direction to patrons and occupants of the Station during a security threat. The Physical Protection Systems project will install Inter-operable networks to secure vulnerable security areas like parking lots, shipping & receiving docks and concourses. The total cost for the Security project is \$6.551 million of which \$4.913 million or 75% will be funded by Transport Canada and \$1.637 million or 25% will be funded by the City.

The South Access Tunnel project is also a service improvement project that is currently under construction and is anticipated to be completed by the end of 2008. The south tunnel will provide a pedestrian connection between Union Station and a proposed south entrance from Union Plaza, south of the train tracks. The connection will support the increase in pedestrian traffic through Union Station and provide an additional emergency exit from the Station.

Union Station Revitalization Plan

The Union Station Revitalization Team is working on a plan to revitalize Union Station, improve Union Station as a transportation hub and to make it more economically sustainable. Staff will be reporting to Council this Fall (2007) on a recommended strategy and business model to fund and implement the revitalization of Union Station. Federal funding of \$25 million has been committed to Union Station for the revitalization of Union Station. The City is currently negotiating an agreement with the Federal Government.

Multi-Year Debt Affordability Target

The increase in recommended debt is a result of the Building Condition Assessment which identified a large backlog of SOGR projects. Funding is required to be reallocated in 2008-2012 to meet these requirements and additional debt in the amount of \$40.087 million is being recommended to address these needs. The 2008-2012 Capital Plan includes new and future year cash flow funding that exceeds debt targets by \$3.200 million in 2008, \$7.751 million in 2009, \$16.250 million in 2010, \$16.250 million in 2011 and is under target by \$3.364 million in 2012.

Recommended Changes to the 2007 – 2011 Capital Plan***Ongoing Projects***

There are no changes to the 5-Year Capital Plan for the ongoing projects that include the Replacement of the Pedestrian Bridge project, the Replacement of Terrazzo Flooring project, the Copper Roof repairs project, the Exterior Façade Repairs and the Union Station South Access Tunnel project.

New Projects as a result of the Building Condition Assessment

The Building Condition Assessment was completed this year. This has resulted in a significant increase to the 5-Year Capital Plan totalling \$58.062 million. The projects that are the result of the Business Condition Assessment include Environmental Studies (\$0.137 million), the Interior Finishes project, (\$9.279 million), Structural enhancements (\$18.555 million) and the Mechanical/Electrical project (\$18.108 million).

Service Improvement Projects

Two new Service Improvement projects have been recommended to be funded in the 2008-2012 Capital Plan. They are the Loading Dock project and the Security Response Systems project.

The loading dock is to be constructed at the southwest corner of Union Station. GO Transit is currently clearing the area behind the building and undertaking platform refurbishments above the loading dock area. Facilities and Real Estate will coordinate a schedule with GO Transit to start the construction of the loading dock. The total project cost for this project is \$2.880 million with cashflow requirements of \$1.440 million in 2008 and \$1.440 million in 2009.

The Security Response Systems Project consists of two systems. The first system requires the installation of inter-operable networks into vulnerable areas like parking lots, concourses and shipping docks. The second system includes the implementation of responders into Union Station to assist staff and patrons out of the building during an evacuation. The total project cost for this project is \$6.552 million with cash flow requirements of \$3.931 million in 2008 and \$2.621 million in 2009. Funding in

the amount of \$4.914 million or 75% will be contributed from Transport Canada and \$1.638 million or 25% from the City.

Program Capacity and Readiness to Proceed

The design work to repair the Terrazzo Flooring has been completed and the project is ready to proceed in 2008. The repair contracts for the Copper Roof Repairs project and the Exterior Façade project have been awarded. The two projects will be ready to proceed in 2008. The Pedestrian Bridge project and the South Access Tunnel project are currently under construction and will continue in 2008. Tenders for the Union Station Security project are out and it is anticipated that the contracts will be awarded late in 2007. The design work for the new Security Response System project will be completed in the Spring of 2008. Construction agreements are currently being negotiated with GO Transit for the loading dock project. GO Transit is currently refurbishing their train platforms and tracks over the proposed loading dock area. The Loading Dock project will be ready to proceed in 2008.

Backlog of Projects – Unmet Needs

A backlog listing of Projects has been provided. The backlog listing identifies funding requirements of \$196.769 million to complete these projects. This backlog of projects is a result of the Building Condition assessment that was completed in 2007. The 5-Year Capital Plan identifies funding requirements of approximately \$80 million to address backlog.

Capital Project Highlights

Strategic Priorities:

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

- *A Cleaner and More Beautiful City – Developing a comprehensive public space beautification plan for public spaces that require refurbishment and improvement*

The report entitled ‘Union Station District Plan – Area Bounded by Bay Street, Wellington Street, Simcoe Street, the Rail Corridor, Rees Street and Lake Shore Boulevard/Harbour Street’ was adopted by Council at its meeting on June 27, 28 and 29, 2006. By adoption of the report, City Council approved the adoption of the Union Station District Plan which addresses improvements to the public realm surrounding Union Station and supports the recognition of the district as a Heritage Conservation District. The 5 Year Capital Plan for Union Station includes one project ‘The Revitalization and Heritage Fees project’ which will assist in developing the Plan. A Master Plan Implementation Group has been established and will be providing a report by the end of Fall on a strategy to fund and implement the Revitalization Plan for Union Station.

Other City Initiatives:

Union Station'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 Projects: New and Expanded							
Total	0	0	0	0	0	0	0
Other Major City Initiatives:							
Union Station - Security Project	1,712					1,712	
Union Station - Security Response Project	3,931	2,620				6,551	
Union Station - Loading Dock	1,440	1,440				2,880	
Total	7,083	4,060	0	0	0	11,143	0

Summary:

The projects in the 5-year Capital Plan are primarily service improvement projects focussing on upgrading the Union Station's Security measures. The loading dock will be constructed at the south west corner which will allow larger trucks easier access to deliver items to the facility.

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 Changes (\$000s)	165	734	564	467	607
Recommended 2009-2012 Capital Plan					
Program Costs (net) (\$000s)					
Approved Positions					
Debt Service Changes (\$000s)					
Total					
Program Costs (net) (\$000s)					
Approved Positions					
Debt Service Changes (\$000s)	165	734	564	467	607
<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 Incremental Operating Costs

There are currently no incremental program operating impacts associated with the 2008 Recommended Capital Budget and program 2009-2012 Capital Plan for Union Station.

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		8,093		8,093		3,353	11,446	731	228				12,405
Change in Scope													0
New			762	762			762						762
New w/Future Year			7,688	7,688			7,688	6,244	3,115	4,151	5,023	1,966	28,187
Total Expenditure	0	8,093	8,450	16,543		3,353	19,896	6,975	3,343	4,151	5,023	1,966	41,354
Financing													
Debt		4,881	5,502	10,383	7,183	1,198	11,581	5,010	3,343	4,151	5,023	1,966	31,074
Subsidy (SCPI)													0
Prov. Subsidy/Grant													0
Development Charges													0
Other		3,212		3,212		2,155	5,367						5,367
Federal Grants			2,948	2,948			2,948	1,965					4,913
Reserves/Res Funds													0
Total Financing	0	8,093	8,450	16,543		3,353	19,896	6,975	3,343	4,151	5,023	1,966	41,354

Comments / Issues:

- Approval of the 2008 Recommended Capital Budget of \$19.896 million will result in a commitment of \$6.975 million in 2009, \$3.343 million in 2010, \$4.151 million in 2011 and \$5.023 million in 2012. The 2009-2012 recommended future commitments of \$21.458 million are mainly for new projects identified in the Building Condition Assessment which include interior and exterior finishes and environmental projects.
- The recommended 2008 total cash flow of \$19.896 million is comprised of funding from debt (\$11.581 million), Federal funding through the Transit Secure Program (\$6.815 million) and from the Planning Division (\$1.500 million).

2008 Recommended Capital Budget

2008 Recommended Capital Budget versus Debt Target

The recommended debt level of \$10.383 million for 2008 exceeds the corporate debt target by \$3.200 million. Additional debt is required for this Capital Budget to fund the following projects: interior finishes, environmental, revitalization and heritage consulting funding. These are key components to restoring Union Station as a result of the building condition assessment.

Recommended Capital Budget by Category

The State of Good Repair projects represent of \$3.814 million or 19% of the 2008 Recommended Capital Budget. The projects focus on the interior and exterior restoration of Union Station.

The Health and Safety projects represent \$2.646 million or 13% of the 2008 Recommended Capital Budget. The projects include the replacement of the pedestrian bridge project and the exterior façade repairs project.

The Service Improvement projects represent \$13.436 million or 68% of the 2008 Recommended Capital Budget. The service improvement projects include the Security project, construction of the South Access Tunnel and construction of a new loading dock.

PART II: ISSUES FOR DISCUSSION**2008 Capital Budget Issues****Revitalization Plan**

The Union Station Revitalization Team is in the process of preparing a report that will be coming forward this Fall (2007) to recommend a strategy and business model to fund and implement the revitalization of Union Station. No funding has been requested or recommended in this 5 – Year Capital Plan. Funding of \$25 million has been committed for the revitalization of Union Station.

5-Year Capital Plan Issues**Future Year Targets**

The Recommended 2008-2012 Capital Plan does not meet the 2008-2012 debt targets and includes new and future year cash flow funding that exceeds debt targets by \$3.200 million in 2008, \$7.751 million in 2009, \$16.250 million in 2010, \$16.250 million in 2011 and under target by \$3.364 million in 2012 for a cumulative increase of 40.086 million. This is a result of the building condition assessment that was conducted in 2007 which identified a large increase of SOGR projects and the funding requirements to complete them.

Issues Referred to the Budget Process

Not Applicable

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)

(Not Applicable)