

Analyst Briefing Notes

Budget Committee

(October 30, 2008)

Page

PART 1: CAPITAL PROGRAM

Executive Summary	2
Recommendations.....	4
2008 Capital Variance Review	5
5-Year Capital Plan (2009 Recommended Budget, 2010-2013 Plan).....	6
5-Year Capital Forecast (2014-2018)	n/a
10-Year Capital Plan & Forecast Overview	7
Recommended Changes to the 2008 – 2012 Capital Plan	8
Operating Budget Impact – 10-Year Capital Plan	10
Total 2009 Recommended Cash Flow & Future Year Commitments	11

PART II: ISSUES FOR DISCUSSION

2009 Capital Budget Issues	n/a
5-Year Capital Plan Issues	13
5-Year Capital Forecast Issues	13
Issues Referred to the Budget Process	n/a

APPENDICES

Appendix 1: 2009 Recommended Capital Budget; 2010 to 2013 Plan and 2014 to 2018 Forecast.....	14 (a) to (b)
Appendix 2: 2009 Recommended Cash Flow & Future Year Commitments	15 (a) to (b)
Appendix 3: 2009 Recommended Capital Projects with Financing Details	16 (a)
Appendix 4: Reserve / Reserve Fund Review	17

Contacts: Alan Cohen
Manager, Financial Planning
Tel: (416) 392-3740

Lili Vratonjic
Financial Planning Analyst
Tel: (416) 397-4531

October 27, 2008

Executive Summary

- The 2008 Approved Capital Budget of \$5.526 million was \$0.448 million or 8.1% spent as at June 30th, 2008. Projected actual spending to year-end is anticipated to be \$2.977 million or 54% of the 2008 Approved Capital Budget. The 2008 under-spending is mainly due to:
 - Digital Audio Recording (DAR) installation delays caused by extra time required to finalize a firm contract with a selected vendor, and
 - termination of a portion of capital work and deferrals due to reallocation of staff resources to support other high priority projects
- The 5-Year Recommended Capital Plan totals \$3.565 million, with 2009 cash flow of \$2.365 million for construction of six additional courtrooms, and cash flows of \$0.600 million in 2010 and \$0.600 million in 2012 for continuation of technology application upgrades. The Program is fully funded from the Provincial Offences Courts Stabilization Reserve and does not require any City debt funding.
- Additional future year capital requirements are dependent upon several factors: potential consolidation of South District Court Operations, funding availability and review of technological requirements. Pending review of future requirements, Court Services has no 5-Year Capital Forecast.
- The 2009 Recommended Capital Budget totals \$2.365 million and is 100% allocated to Legislated projects.
- The 2009 Recommended Capital Budget is comprised of previously approved projects with a 2009 cash flow of \$1.053 million and new projects requiring \$2.365 million. The 2009 Recommended Capital Budget of \$3.418 million, including carry forward funding from 2008 to 2009 provides funding for technology requirements and facility renovations as follows:
 - \$0.853 million to complete the system automation required to support the alternative dispute resolution for parking tickets and implement collections software; and
 - \$2.565 million to complete the on-going renovations to the South District Courthouse Facilities at Old City Hall and to construct six additional courtrooms required for timely trials with four in the South District, one in the West District, and one in the East District
- Court Services has no backlog of state of good repair requirements.
- Approval of the 2009 Recommended Capital Budget will generate \$0.705 million net revenues in the Court Services' 2009 Operating Budget, resulting from construction of six additional courtrooms and increased court capacity.
- While the 5-Year Recommended Capital Plan is fully funded by the Provincial Offences Courts Stabilization Reserve, the Reserve is estimated to become depleted by 2012. The Acting Deputy City Manager and Chief Financial Officer, in conjunction with Director of Court Services, will review the sustainability of the Provincial Offences Courts Stabilization Reserve before the 2010 Capital Budget process and report on appropriate amendments to the

- current Policy to contribute net revenues in excess of \$8.5 million to the Courts Stabilization Reserve.
- Court Services has no forecast for years 2014-2018. The Director of Court Services will review future capital requirements that may be required during 2009 and include any new capital requirements in the Court Services 2010 Capital Budget submission.

Recommendations

The City Manager and the Acting Deputy City Manager and Chief Financial Officer recommend that:

- (1) Council approve the 2009 Recommended Capital Budget for Court Services with a total project cost of \$2.365 million, and a 2009 cash flow of \$3.418 million. The 2009 Recommended Capital Budget consists of the following:
 - (a) New Cash Flow Funding for 1 new sub-project with a 2009 cash flow of \$2.365 million; and
 - (b) 2009 approved cash flow for 2 previously approved sub-projects with carry forward funding from 2008 into 2009 totalling \$1.053 million;
- (2) Council approve the 2010-2013 Capital Plan for Court Services totalling \$1.2 million in project cost estimates, comprised of cash flows of \$0.600 million in 2010, and \$0.600 million in 2012;
- (3) Council consider the net operating impacts in the Court Services' operating budget of \$0.705 million net revenues for 2009 emanating from the approval of the 2009 Recommended Capital Budget within the overall scope of Court Services' 2009 operating budget;
- (4) the Director of Court Services, in conjunction with Acting Deputy City Manager and Chief Financial Officer, review the current policy of contributing net operating revenues in excess of \$8.5 million to the Provincial Offences Courts Stabilization Reserve and report to Budget Committee prior to the 2010 Capital Budget process; and
- (5) the Director of Court Services review all future capital needs and include any appropriate capital requirements for the 2014-2019 period in the Court Services' 2010 Capital Budget submission.

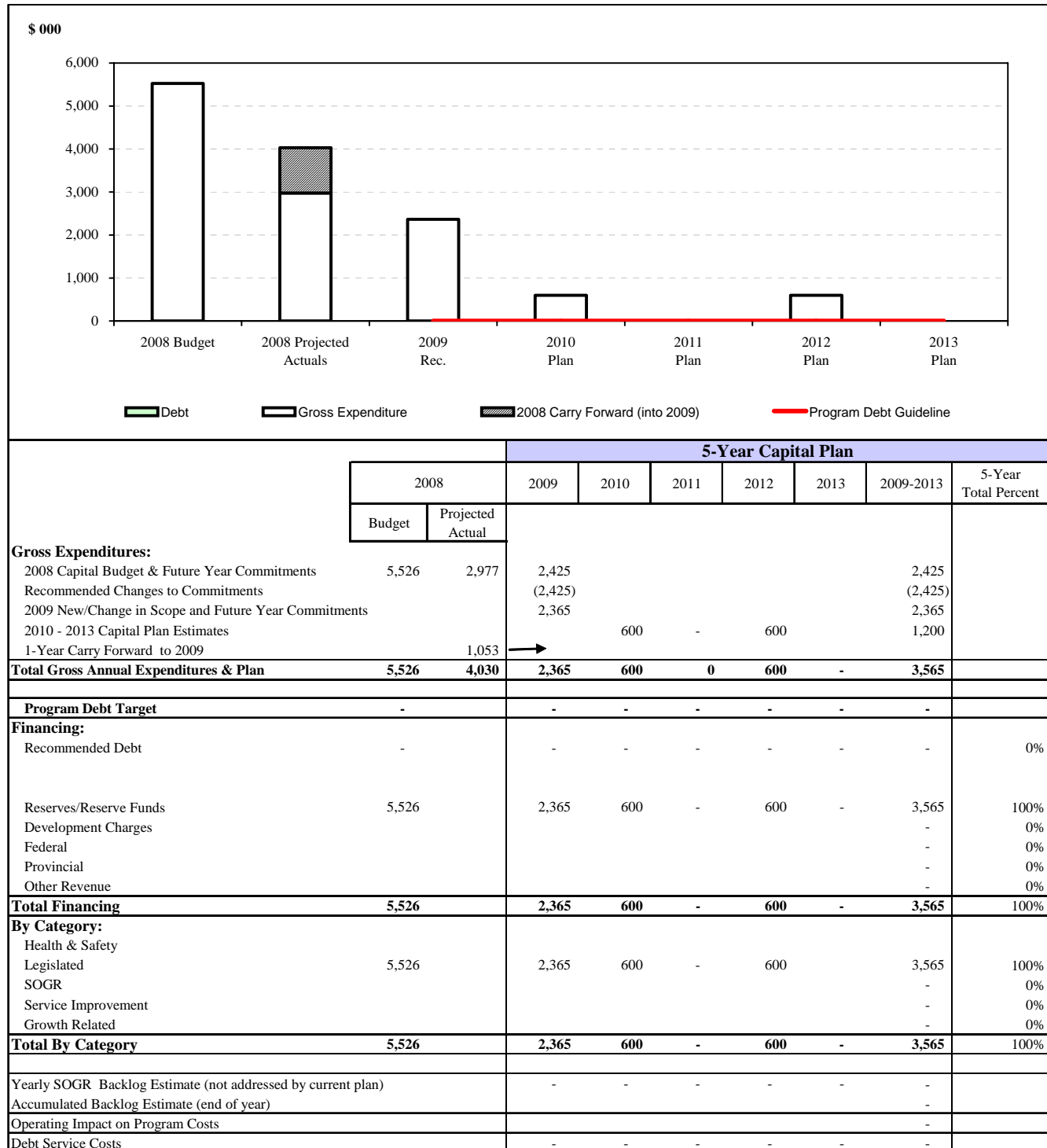
2008 Capital Variance Review

2008 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2008 Approved	Actuals as of June 30 (2nd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
5,526	448	8.1%	2,977	54%	2,549

Comments / Issues:

- At the end of June 30, 2008, Court Services spent \$0.448 million or 8.1% of its 2008 Approved Capital Budget of \$5.526 million. Court Services is projecting expenditures at year-end to be \$2.977 million or 53.9% of its 2008 Approved Capital Budget of \$5.526 million. All projects are funded from the Provincial Offences Court Stabilization Reserve, and have no impact on the City's debt. Projected year-end under-spending of \$2.549 million is primarily attributed to the following:
 - The supply and installation of Digital Audio Recording (DAR) equipment for Phase 1 of the POA Application Development project (\$1.0 million) was delayed due to extended time required for contract finalization with the vendor. The installation of DAR equipment and the provision of related training to staff was completed at the West Court location in March 2008 and the East location in April 2008. The equipment has now been installed at 137 Edward St. (including the intake courtrooms) and will be installed at the Old City Hall courtrooms in October 2008. Training has been completed and the project will be completed before the end of 2008.
 - Phase II (Court Admin Records System - CARS) (\$2.0 million cash flow) - Technical & business staff resources were redeployed in 2007 to support a higher priority project causing the delay in the commencement of this project from 2007 until 2008. The POA Application Development project will be terminated \$3.5 million under budget. The unspent funds will be returned to the Provincial Offences Stabilization Reserve for the future relocation of South District courts.
 - Courthouse Facilities South Project: The remainder of the project consists of refurbishing and making technical upgrades required for 8 courtrooms inside Old City Hall. Work began in June 2008 with substantial completion by the end of 2008.
- Of the \$2.549 million unspent, only \$1.053 million in funding will be carried forward into 2009, as \$1.496 million for mainly I&T projects is not required since the Program will continue to rely on the existing Provincial IT systems. The \$1.496 million in under-spending will remain in the Reserve as a contribution for future courthouse development, which is a priority for Court Services.

5-Year Capital Plan (2009-2013)



10-Year Capital Plan and Forecast Overview

At this time, Court Services has not provided a 10-Year Capital Program. Future year estimates (2014-2018) have not been quantified given the uncertainty surrounding future year capital requirements and the Provincial Offences Courts Stabilization Reserve balance. Once these issues have been resolved, Court Services will submit firm estimates for the 2014-2019 period next year.

The 2009-2013 Recommended Capital Plan for Court Services of \$3.565 million (excluding carry forward funding of \$1.053 million) provides well secured courthouse facilities with adequate space and suitable technological infrastructure. All recommended projects are in accordance with the Provincial Offences Act and the Memorandum of Understanding between the City of Toronto and the Ministry of the Attorney General and deemed Legislated capital projects.

The 5-Year Recommended Capital Plan includes \$2.365 million in 2009 for construction of six additional courtrooms and associated space within City owned facilities as well as improvements inside third party leased space. This is essential in ensuring sufficient courtroom trial space is available to meet public demand for trials within timeframes that do not offend an individual's Charter rights. The additional courtrooms will be located in the South District (4), West District (1), and East District (1) and are scheduled to open by May 2009.

In addition, the 2010-2013 Recommended Capital Plan includes cash flows of \$0.600 million in 2010 and \$0.600 million in 2012 to sustain the POA Court Case Record Management System and Hardware upgrade and replace the equipment that will retire in 4-5 years.

The Recommended Carryforward Funding of \$1.053 is required to complete the POA Application Phase II Court Case Record Management System project (\$0.85 million) and the Old City Hall Courthouse Facilities Renovation project (\$0.2 million).

All Court Services capital projects are legislated and fully funded by the Provincial Offences Courts Stabilization Reserve. In fact, Court Services has re-prioritized and eliminated previously approved 2009 commitments of \$2.425 million to ensure \$4.0 million is set aside in the Provincial Offences Courts Stabilization Reserve as the Program's proposed contribution toward construction of a future courthouse, possibly at the St. Lawrence Market North location, to replace the existing Old City Hall courthouse. Also, a large component of construction costs will come from rent that Court Services now pays for space at Old City Hall as well under a third party lease. Details will be provided as part of the 2010 Capital Budget process.

Multi-Year Debt Affordability Targets

All projects in the 5-Year Recommended Capital Plan are fully funded by the Provincial Offences Courts Stabilization Reserve. As a result, there are no set debt affordability targets for Court Services.

Project Financing

All projects in the Recommended 5-Year Capital Plan are fully funded by the Provincial Offences Courts Stabilization Reserve (XQ0704). The projected balance of the reserve at the end of 2008 is anticipated to be \$8.665 million. The 5-Year Recommended Capital Plan requires withdrawals of

\$3.418 million in 2009, \$0.600 million in 2010, and \$0.600 million in 2012. The remaining balance of \$4.047 million will fund Court Services' contribution to a future courthouse development. Thus, sustainability of the Reserve is being reviewed as it is fully committed to fund future capital requirements.

Backlog – State of Good Repair (SOGR) and Unmet Service Needs

The Program has no backlog of state of good repair projects.

Program Capacity and Readiness to Proceed

The Court Services Program is projecting to spend 54% of its 2008 Approved Capital Budget. The unspent amount of \$2.549 million will not be fully carried forward into 2009, as it is not required since the Program will continue to rely on the existing IT systems. While \$1.053 million will be carried forward, the remaining amount will remain in the reserve for future use as a possible contribution for future courthouse development.

The 5-Year Recommended Capital Plan is comprised of two ongoing projects scheduled for completion in 2009, a new legislated project for the construction of six additional courtrooms within City owned facilities and improvements inside leased space in 2009, and a new sub-project required for IT sustainment and upgrades, starting in 2010.

Projects have been reviewed and prioritized based on a needs assessment undertaken for all capital projects. Contracts are in place and construction is expected to begin as planned.

Recommended Changes to the 5-Year Capital Plan (2008-2012)

The changes to the 5-Year Capital Plan include:

- Elimination of previously approved 2009 commitments for the POA Application Development – Audio/Case Management System (\$2.0 million) and Courthouse Facilities South (\$0.425 million) subprojects.
 - The POA Application Development project supports the development of courthouse information processing and management. The Court Services Program will proceed into 2009 with a reduced scope of application development work that provides the automated functionality required to support the alternative dispute resolution process for parking tickets and acquisition of collections software. Court Services will continue to rely on an existing provincial computer system.
- Addition of a Leasehold/Facility Improvements project with cash flows of \$2.365 million in 2009.
 - This project will allow for the construction of 6 additional courtrooms and associated space within City owned facilities, as well as improvements to leased space in 2009. With an increase in case load, such improvements ensure that additional courtrooms are in place for timely trials to meet statutory requirements under the POA and Transfer Agreements.

Capital Projects Highlights

The 5-Year Recommended Capital Plan includes the following key capital projects:

- Construction of six additional courtrooms in 2009 in the South District (4), West District (1), and East District (1) to ensure statutory regulations are met and trials are heard and scheduled within a reasonable time frame (\$2.365 million). Six additional courtrooms will open in late spring of 2009.
- Complete interior work and technical upgrades required for eight courtrooms at Old City Hall (\$0.200 million);
- Completion of Phase II – Court Administration Records System to provide the automated functionality required to support the alternative dispute resolution for parking tickets, support productivity improvement and to acquire and implement collections software (\$0.853 million); and
- Ongoing system sustainment, hardware upgrades, and equipment replacement for POA application equipment that is 6-7 years old (\$1.2 million).

Summary of Major Capital Initiatives

(In \$Thousands)	2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	5-Year Plan	2014 -2018 Forecast	2009 -2018 Total
New & Expanded Facility Projects								
Courthouse Facilities	200					200		200
Leasehold/Facility Improvements	2,365					2,365		2,365
IT Projects								
POA Application Development	853					853		853
POA Application Sustainment & Hardware Upgrade		600		600		1,200		1,200
Sub-Total	3,418	600		600		4,618		4,618
Other Major City Initiatives:								
Sub-Total								
Total	3,418	600				4,618		4,618

- The Leasehold/Facility Improvements project funds of \$2.365 million will allow for construction of 6 additional courtrooms and associated space within City owned facilities, as well as improvements inside 3rd party leased space in 2009. Four out of the six courtrooms will be located at 481 University Avenue and the lease agreements have been approved by the Government Management Committee on October 21, 2008. The remaining two additional courtrooms will be constructed in the existing West and East District courtrooms.

Operating Budget Impact - 10-Year Plan & Forecast

Approval of the 2009 Recommended Capital Budget will increase the 2009 Court Services Operating Budget gross expenditures by \$3.725 million, and revenues by \$4.430 million, thereby generating \$0.705 million in net revenues. The Operating Budget net impact is the result of the Leasehold/Facility Improvement project, which will construct six additional courtrooms and increase court capacity. The additional courtrooms will open in spring of 2009. The project is scheduled for commencement and completion in 2009 and will add additional 66 positions to the Court Service Operating Budget, and additional 14 positions to the Legal Services Operating Budget. The 66 positions for Court Services include staff required for collections (10), court administration (35), and court support (21), while the 14 new positions for Legal Services include 10 prosecutors, 2 legal assistants, and 2 law clerks. The cost of 14 additional positions required for Legal Services is included in the Court Services gross amount of \$3.725 million. The table below summarizes the Operating Budget impact:

(In \$Thousands)	2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	5-Year Plan	2014 -2018 Forecast	2009-2018 Total
2009 Recommended Capital Budget								
Program Costs (net)	(705.00)					(705.00)		(705.00)
Approved Positions	66.00*					66.00		66.00
Recommended 2010-2013 Capital Plan								
Program Costs (net)						-		-
Approved Positions						-		-
Recommended 2014-2018 Capital Forecast								
Program Costs (net)						-		-
Approved Positions						-		-
Total								
Program Costs (net)	(705.00)	-	-	-	-	(705.00)	-	(705.00)
Approved Positions	66.00	-	-	-	-	66.00	-	66.00

* An additional 14 positions is included in the Legal Services 2009 Operating Budget

The volume of charges requiring a trial has been increasing at a fast pace, and in order to reduce trial delays and restore public confidence in the court system, six new courtrooms are recommended. The additional space will help to alleviate overcrowded conditions regularly experienced at Court Services locations, which will help to improve public services for those who attend trial or are seeking court information and/or paying fines. The ability to process a greater number of trials in a more timely fashion is expected to result in more court dispositions, which includes orders to pay fines.

The gross costs of \$3.725 million include the lease costs for 4 new courtrooms at University Avenue (as approved by the Government Management Committee on October 21, 2008 in the report titled 481 University Avenue – New Lease with 481 University Avenue Inc. for the Operation of City Courtrooms by the Chief Corporate Officer) as well as adding 2 additional courtrooms within in the West and East Courthouses. Additional details will be included in the Court Services 2009 Operating Budget, including timing of expenditures and revenue.

Total 2009 Recommended Cash Flow & Future Year Commitments (\$000s)

	2007 & Prior Year Carry Forwards	2009 Previously Approved Cash Flow Commitments	2009 New Cash Flow Recommended	2009 Total Cash Flow Recommended	2009 Debt Target	2008 Carry Forwards	Total 2009 Cash Flow (Incl 2008 C/Fwd)	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total Cost
Expenditures																	
Previously Approved		2,425		2,425		1,053	3,478										3,478
Change in Scope		(2,425)		(2,425)			(2,425)										(2,425)
New			2,365	2,365			2,365										2,365
New w/Future Year																	-
Total Expenditure	-	-	2,365	2,365	-	1,053	3,418	-	-	-	-	-	-	-	-	-	3,418
Financing																	
Reserves/Res Funds			2,365	2,365		1,053	3,418										3,418
Development Charges																	-
Other																	-
Debt																	-
Total Financing	-	-	2,365	2,365	-	1,053	3,418	-	-	-	-	-	-	-	-	-	3,418

Comments / Issues:

- Approval of the 2009 Recommended Capital Budget will result in total 2009 cash flows (including the 2008 carry forward funding into 2009 of \$1.053 million) of \$3.418 million
- The 2009 previously approved cash flow commitments have been cancelled as the Program will continue to rely on the existing I&T systems. This ensures adequate funding of \$4.0 million is available in the Reserve to fund Court Services' contribution for future courtroom redevelopment.
- The 2009 Recommended Capital Budget is fully funded by the Provincial Offences Courts Stabilization Reserve.

2009 Recommended Capital Budget

2009 Recommended Capital Budget versus Debt Target

The 2009 Recommended Capital Budget for Court Services is fully funded by the Provincial Offences Courts Stabilization Reserve and therefore requires no debt funding from the City.

Capital Budget by Project Categories

100% of the 2008 Recommended Capital Budget is allocated to projects that are deemed Legislated to comply with the Provincial Offences Act.

Capacity and Readiness to Proceed

The 2009 Recommended Capital Budget is comprised of two ongoing, previously approved projects scheduled for completion in 2009 and a new Legislated project for construction of six additional courtrooms within City owned facilities and improvements inside leased space. Additional courtrooms are required to ensure trials are scheduled in a reasonable time frame.

Projects have been reviewed and prioritized based on a needs assessment undertaken for all capital projects. Lease contracts have been signed for additional courtrooms and the construction is expected to proceed as planned.

PART II: ISSUES FOR DISCUSSION

5-Year Capital Plan Issues

Court Stabilization Reserve

Approval of the Recommended 5-Year Capital Plan will result in a balance of \$4.047 million in the Provincial Offences Courts Stabilization Reserve by 2012. At present time, \$4.0 million is earmarked in the Reserve as a contribution to future courthouse development. Thus, any additional capital requirements for projects not currently anticipated within the 2009 to 2013 timeframe may deplete the Reserve and require debt funding. Alternatively, options to contribute to the Reserve may provide future capital funding and Reserve sustainability.

Council approved a policy in July of 2001, requiring that any net revenue exceeding \$8.5 million in any year, as a result of on-going operations, be contributed to the Reserve. The policy will be revisited and the Director of Court Services, in conjunction with the Acting Deputy City Manager and Chief Financial Officer, will report to Budget Committee on any appropriate amendments to the contribution policy that may support sustainability of the Provincial Offences Courts Stabilization Reserve prior to the 2010 Capital Budget process.

5-Year Capital Forecast Issues

Future Year Estimates

At its meeting of May 26-28, 2008, City Council gave notice to the Province, which occupies Old City Hall for its Provincial Courts, that the City will not renew the Province's lease after it expires in December 2016. With the Provincial Courts being required to vacate Old City Hall, the financial model assumes that after 2016, Court Services will also vacate Old City Hall.

Court Services has re-prioritized and eliminated previously approved 2009 commitments of \$2.425 million to ensure \$4.0 million is set aside in the Provincial Offences Courts Stabilization Reserve as the Program's proposed contribution toward construction of a future courthouse, possibly at the St. Lawrence Market North location, to replace the existing Old City Hall courthouse. These financial requirements are not included in the Proposed 5-Year Forecast, and are pending study and review.

Given that Court Services has no 2014-2018 Capital Forecast at this time, it is recommended that the Director of Court Services will review all future capital requirements and include appropriate capital projects for the years 2014-2019 period as part of Court Services 2010 Capital Budget submission.

Appendix 1

2009 Recommended Capital Budget; 2010 to 2013 Plan and 2014 to 2018 Forecast

Appendix 2

**2009 Recommended Cash Flow
and Future Year Commitments**

Appendix 3
2009 Recommended Capital Projects
with Financing Details

Appendix 4

Reserve / Reserve Fund Review

Reserve / Reserve Fund Name (In \$Thousands)	Project / SubProject Name and Number	Projected Balance as of December 31, 2008	Proposed Withdrawals									
			2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
XQ0704 Provincial Offences Court Stabilization Reserve	Beginning Balance	11,642	8,665	5,247	4,647	4,647	4,047	4,047	4,047	4,047	4,047	4,047
	Proposed Withdrawals	(2,977)	(3,418)	(600)		(600)						
TOTAL RESERVE FUND BALANCE AT YEAR-END		8,665	5,247	4,647	4,647	4,047	4,047	4,047	4,047	4,047	4,047	4,047