

# Analyst Briefing Notes

## Planning and Transportation Committee

(January 9, 2006)

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January 5, 2006

**PART I: 2006 Operating Budget Overview**

**Table 1: 2006 Proposed Budget**

	2005		2006 Proposed Operating Budget			Change 2006 Proposed from 2005 Budget		FY Incremental Outlook	
	2005 Approved Budget	2005 Proj Act.	2006 Proposed Base	2006 New Council Priorities	2006 Proposed Op. Bud.	\$	%	2007	2008
(In \$000s)	\$	\$	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	36,665.3	34,896.3	39,047.0	400.0	39,447.0	2,781.7	7.6	(49.1)	
<b>REVENUE</b>	48,272.6	47,272.6	50,422.7	400.0	50,822.7	2,550.1	5.3		
<b>NET EXP.</b>	(11,607.3)	(12,376.3)	(11,375.7)	0.0	(11,375.7)	231.6	(2.0)	(49.1)	
<b>Approved Positions</b>	413.5	413.5	408.5	0.0	408.5	(5.0)	(1.2)		
<b>TARGET</b>			<b>(11,375.3)</b>						
<b>\$ Over / (Under) Program Target</b>			<b>(0.4)</b>						
<b>% Over / (Under) Program Target</b>			<b>0.0%</b>						

**Executive Summary**

- The 2005 projected year-end net budget of (\$12.376) million for Building Services is \$0.8 million under the 2005 Approved Budget. The variance is mainly attributable to savings from 17 staff vacancies, 14 of which are new positions approved in June 2005 for Bill 124 implementation.
- The 2006 Proposed Operating Budget for the Building Services is \$39.447 million gross, (\$50.823) million revenue, and (\$11.376) million net revenue.
- The 2006 Proposed Base Budget of (\$11.376) million net represents a 2% decrease and meets the target. Given that the Program has a budget surplus, the target for Building Services limits the pressure to 2% from the 2005 budget surplus. The 2007 incremental decrease of \$0.049 million net reflects the reversal of one-time funding for Building Code Reference material included in 2006 Proposed Budget as a Base Budget Change.
- The 2006 Proposed Operating Budget also includes a reduction of 5 staff positions; 1 Clerk position, and the reduction of full year of funding for 4 positions in the 2005 budget for the Development Applications Review Project (DARP). The DARP project will continue in 2006 with the pressure to be absorbed within the base budget of Buildings, City Planning, and Technical Services.
- Incorporated in the 2006 Proposed Base Budget is a 4.6% increase to Building Permit Fees with incremental revenue for 2006 of \$2.150 million. The report from the Chief Building Official and Executive Director of Building Services (November 17, 2005) *Adjustments to Building*

*Permit Fees and Resources Related to the Brownfield's Statute Law Amendment Act*, requesting the fee increase was adopted by Council in December 2005.

- Additional Proposed Base Budget changes include a \$0.100 million increase in parking expenses related to the relocation of South District Parking staff to the Esplanade location, and \$0.074 million for New Building Code Reference Material offset in 2006 by a reduction in overtime expenses resulting in a net zero impact to the base budget.
- Proposed base budget reductions include the conversion of vacant staff positions for savings of \$0.004 million, and miscellaneous changes in the amount of \$0.160 million for the reduction of one staff position in the North District Office due to decreased requests received for Property Compliance Letters and a reduction of computer hardware. Together, these actions have resulted in base budget savings of \$ 0.164 million.
- The 2006 Proposed Budget includes New Council Priority Services of \$0.400 million gross and \$0 net for staff overtime costs to complete the review of applications within prescribed legislative timeframes under the Brownfield's Statute Law Amendment Act. The new request for overtime expenses is proposed to be offset by a new Building Permit Fee of \$40 per residential unit. The fee increase and proposal for overtime was included in the report from the Chief Building Official and Executive Director of Building Services (November 17, 2005), *Adjustments to Building Permit Fees and Resources Related to the Brownfield's Statute Law Amendment Act*, which was adopted by Council in December 2005.
- Key cost drivers include cost of living adjustments, merit and step increases, fringe benefits, and prior year impacts, from Council approvals such as the annualized impact of Bill 124 implementation (27.5 positions), and Development Charges By-Law volume increase (13 positions) result in incremental costs of \$0.468 million.

**Recommendations**

It is recommended that:

- (1) the Building Services' 2006 Proposed Operating Budget of \$39.447 million gross and (\$11.376) million net, comprised of the following service be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000's)</u>	<u>Net</u> <u>(\$000's)</u>
Building	39,447.0	(11,375.7)
Total Program Budget	<u>39,447.0</u>	<u>(11,375.7)</u>

- (2) the Chief Building Official and Executive Director of Building Services submit a Briefing Note to the Planning and Transportation Committee in June 2006 addressing 2005 vacant positions and impact to 2005 and 2006 Performance;
- (3) the Chief Building Official and Executive Director of Building Services assess the workloads and needs of the Division and report back prior to the 2007 budget process on a long-term strategy for processing Building Permit applications within the legislated timeframes under Bill 124 and the new application review requirements under the Brownfield's Statute Law Amendment Act; and
- (4) the Chief Building Official and Executive Director of Building Services monitor the building permit fees collected during 2006 and report back to the Budget Advisory Committee as part of the 2007 budget process addressing whether the 4.6% Building Permit Fee increase was sufficient to achieve cost recovery as authorized under the Building Code Act.

## PART II: BASE BUDGET

### Section A: 2005 Budget Variance Analysis

**Table 2: 2005 Budget Variance Review**

	2004 Actuals	2005 Approved Budget	2005 Projected Actuals *	2005 Approved vs Projected Actuals Variance Over / (Under)	
(In \$000s)	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	30,656.6	36,665.3	34,896.3	(1,769.0)	(4.8)
<b>REVENUES</b>	48,906.8	48,272.6	47,272.6	(1,000.0)	(2.1)
<b>NET EXP.</b>	(18,250.2)	(11,607.3)	(12,376.3)	(769.0)	6.6
<b>Approved Positions</b>	374.0	413.5	413.5	0.0	0.0

\*Projected actual expenditures and revenues to year-end are based on 3<sup>rd</sup> Quarter Variance Report, adjusted for COLA and harmonization.

### 2005 Experience

Building Services' year-end projection of (\$12.376) million net shows a \$0.8 million favourable variance from under-expenditures as a result 17 staff vacancies; 14 of which are primarily for new positions approved in June 2005 for Bill 124 implementation and three for unanticipated staff exits.

### Impact of 2005 Operating Variance on 2006 Proposed Budget

The 2006 Proposed Budget assumes that the 2005 position variances will be filled by the second quarter of 2006 in order to continue with Bill 124 implementation. It is recommended that the Chief Building Official and Executive Director submit a Briefing Note to the Planning and Transportation Committee in June 2006 addressing 2005 vacant positions and impact to 2005 and 2006 Performance.

**Section B: 2006 Proposed Base Budget**

**Table 3: 2006 Proposed Base Budget**

	2005 Approved Budget	2006 Requested Base	2006 Proposed Base	Change		FY Incremental Outlook	
				2006 Proposed Base v. 2005 Approved Budget		2007	2008
(In \$000s)	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	36,665.3	39,047.0	39,047.0	2,381.7	6.5	(49.1)	0.0
<b>REVENUE</b>	48,272.6	48,272.6	50,422.7	2,150.1	4.5	0.0	0.0
<b>NET EXP.</b>	(11,607.3)	(9,225.6)	(11,375.7)	231.6	(2.0)	(49.1)	0.0
<b>Approved Positions</b>	413.5	408.5	408.5	(5.0)	(1.2)	0.0	0.0
<b>NET TARGET</b>			<b>(11,375.3)</b>				
<b>\$ Over / (Under) Program Target</b>			<b>(0.4)</b>				
<b>% Over / (Under) Program Target</b>			<b>0.0%</b>				

**2006 Proposed Base Budget**

- The 2006 Proposed Base Budget of (\$11.376) million net represents a 2% decrease and meets the target. Given that the Program has a budget surplus, the target for Building Services limits the pressure to 2% from the 2005 budget surplus. The 2007 incremental decrease of \$0.049 million net reflects the reversal of one-time funding for Building Code Reference material included in 2006 Proposed Budget as a Base Budget Change.
- New pressures in 2006 as a result of key cost drivers of merit and step increases, fringe benefits, Cost of living adjustments (COLA), and annualizations from prior year Council approvals have increased the expenses of the Building Services Operating Budget by \$2.381 million.
- These pressures have been offset as a result of savings identified in the Program’s 2006 Proposed Operating Budget. The conversion of vacant positions reflecting a change in technical qualifications required, and reduced salary costs and reduction of a full year of funding for 4 positions from 2005 associated with the STAR/ DARP program have provided offsetting funding of \$0.391 million in 2006. The costs for the 4 positions will be absorbed within the Building, City Planning, and Technical Services 2006 Proposed Base Budgets.
- To alleviate the remaining expenditure impact of \$2.150 million while maintaining the same level of service as in 2005 and compliance with cost recovery under the Building Code Act, the 2006 Proposed Base Budget incorporates a Building Permit Fee requirements increase of 4.6% or \$2.150 million resulting in a 2006 base revenue increase \$2.150 million over 2005 while achieving cost recovery for 2006.

**2006 Key Cost Drivers**

- Cost-of-living adjustments (COLA) are non-discretionary expenditures that result in additional costs of \$0.919 million.
- The increase in fringe benefits for 2006 total \$0.872 million. This is consistent with 2005 actual experience and established guidelines for 2006.
- Merit and Step increases were established based on a position by position review and total \$0.428 million.
- Prior year impacts of decisions made by Council in 2005, such as the annualized impact of Bill 124 implementation (27.5 positions), and Development Charges By-Law volume increase (13 positions) result in incremental costs of \$0.468 million. The 2006 Proposed Budget assumes that the 2005 vacancies will be filled by the second quarter of 2006 in order to continue with Bill 124 implementation.

**Table 4: Summary of Proposed Base Budget Changes  
From 2005 Approved Budget**

	Summary of 2006 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2007	2008
(\$000's)		\$	\$	\$	\$	\$
<b>2005 Approved Operating Budget</b>	<b>413.5</b>	<b>36,073.5</b>	<b>48,272.6</b>	<b>(12,199.1)</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments		591.8		591.8		
<b>2005 Approved Operating Budget</b>	<b>413.5</b>	<b>36,665.3</b>	<b>48,272.6</b>	<b>(11,607.3)</b>	<b>0.0</b>	<b>0.0</b>
Annualizations/ Prior Year Impacts	(4.0)	1,627.0		1,627.0		
Economic factors		918.9		918.9		
<b>Adjusted Base Budget</b>	<b>409.5</b>	<b>39,211.2</b>	<b>48,272.6</b>	<b>(9,061.4)</b>	<b>0.0</b>	<b>0.0</b>
Other base changes	(1.0)	(164.2)		(164.2)	(49.1)	
Base revenue changes						
<b>2006 Base Budget Request</b>	<b>408.5</b>	<b>39,047.0</b>	<b>48,272.6</b>	<b>(9,225.6)</b>	<b>(49.1)</b>	<b>0.0</b>
Recommended Base Adjustments:						
Other base changes						
Service efficiencies						
Revenue adjustments			2,150.1	(2,150.1)		
Minor service impact						
Major service impact						
<b>Total Proposed Base Adjustments</b>	<b>0.0</b>	<b>0.0</b>	<b>2,150.1</b>	<b>(2,150.1)</b>	<b>0.0</b>	<b>0.0</b>
<b>2006 Proposed Base Budget</b>	<b>408.5</b>	<b>39,047.0</b>	<b>50,422.7</b>	<b>(11,375.7)</b>	<b>(49.1)</b>	<b>0.0</b>
<b>2006 Program Operating Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>(11,375.3)</b>		
<b>% Over (Under) Program Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>0.0</b>		
<b>% Over (Under) 2005 Approved Budget</b>	<b>(1.2)</b>	<b>6.5</b>	<b>4.5</b>	<b>(2.0)</b>		

## Section C: 2006 Base Budget Issues

### Key Issues / Recommendations

#### *Revenue Changes*

New pressures in Building Services' 2006 Operating Budget resulting from key cost drivers (refer to page 6) will require an incremental increase to base revenue to continue compliance with cost recovery requirements authorized under the Building Code Act.

#### **Additional Permit Fee Revenue**

In a Building Services' report (November 17, 2005), entitled *Adjustments to Building Permit Fees and Resources Related to the Implementation of the Brownfield's Statute Law Amendment Act*, approved by Council (December 2005), the Program requested a 4.6% increase to Building Permit Fees with implementation on January 1, 2006 which will secure \$2.150 million in additional revenue for 2006. Additionally, Council approved an increase based on Cost of Living Adjustments (COLA) in future years with implementation effective January 1st annually and where not available, the Consumer Price Index to offset some of the annual pressures resulting from key cost drivers of merit and step increases, fringe benefits.

This additional revenue of \$2.150 million for 2006 has been assumed in the Program's 2006 Operating Budget. If the Program is to continue with cost recovery under the Building Code Act, it must recognize the additional revenue. It is recommended that the Chief Building Official and Executive Director monitor the Building Permit Fees collected and report back to the Budget Advisory Committee as part of the 2007 budget process on whether the 4.6% Building Permit Fee increase was sufficient to achieve cost recovery, as authorized under the Building Code Act.

#### **New Revenue**

Council also adopted recommendations in the report, *Adjustments to Building Permit Fees and the Resources Related to the Implementation of the Brownfield's Statute Law Amendment Act*, the Program addressed the need for \$0.400 million to fund overtime expenses to review applications under the new provincial regulations of the Brownfield's Statute Law Amendment Act for the clean up of contaminated sites. The new request of \$0.400 million for overtime is proposed as the required funding is offset by a new fee of \$40 per residential unit approved by Council, for a total of \$0.400 million, assuming 10,000 units. This additional revenue has been included in Building Services' 2006 Proposed Operating Budget.

#### **3 Year Operating Budget Overview**

Building Services' strategic direction in the next 3 years is driven by Council's priority for Improving the Planning Process and meeting legislative timeframes for Bill 124 and Brownfield's Statute Law Amendment Act. The Program will continue to face challenges in the following three years to maintain the service standards in light of vacancies, increased legislative requirements, and demand for service. In the Program's 2006 Proposed Budget, the current level service will be maintained by increasing staff overtime to review applications and complete the review of applications within legislative timeframes. It is recommended that the Chief Building

Official and Executive Director assess the workloads and needs of the Program and report back prior to the 2007 budget process on a long-term strategy for processing Building Permit applications within the legislated timeframes under Bill 124 and the new application review requirements under the Brownfield's Statute Law Amendment Act.

Even though revenues are proposed to be increased annually by the cost of living adjustments for wage or where not available by the Consumer Price Index, expenses will rise higher than the proposed incremental revenue increase. In years 2007, and 2008, there are no other feasible efficiency initiatives identified to achieve the 0% target. In lieu of increasing fees beyond inflation, staff are continuing to review efficiencies.

*Service Levels, Delivery, or Gap Issues*

Due to the volume of Building Permits, the number of vacancies, and new regulations under the Brownfield's Statute Law Amendment Act, Building Services will maintain service levels in 2006 at 2005 levels and will not be able to achieve the 10% increase projected in their performance target for building permit issuance in 2006. It is recommended that the Chief Building Official and Executive Director submit a Briefing Note to the Planning and Transportation Committee in June 2006 addressing the 2005 vacant positions and impact to 2005 and 2006 Performance.

**Issues Referred to 2006 Operating Budget Process**

There are no outstanding issues referred to the 2006 Budget Process.

**Outstanding Issues from 2005 and Prior Years**

There are no outstanding issues from 2005 and prior years.

**Appendix A**

**Summary of Service Level Adjustments**

**PART III: NEW COUNCIL PRIORITIES**

**Section D: 2006 Proposed New Council Priorities**

**Table 5: Summary of 2006 Proposed New Council Priorities (\$000)**

Council Priority	Description	Total 2006 New Requests		2006 Not Proposed		2006 Proposed Council Priorities		Proposed New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.	Gross Exp.	Net Exp.	Gross Exp.	Net Exp.		2007	2008
		\$	\$	\$	\$	\$	\$		#	\$
8	<b>Council Priorities:</b> Improving the Planning Process	400.0	0			400.0	0			
	Sub-Total Council Priorities	400.0	0			400.0	0			
	<b>New Rquests Referred to 2006 Operating Budget:</b>									
	Sub-Total Referred									
	<b>New Program Requests:</b>									
	Sub-Total New Program Requests									
	<b>Total New Council Priorities</b>	<b>400.0</b>				<b>400.0</b>				
<b>Council Priority</b>		6 - Ensure housing is affordable 7 - Get the powers and funding needed for Toronto to succeed 8 - Improve the planning process 9 - Increase public involvement in civic affairs 10 - N/A								
1 - Improve Public Service										
2 - Make Progress on the Waterfront										
3 - Improve Business Climate										
4 - Make Toronto a clean and beautiful city										
5 -Strengthen our at-risk neighbourhoods										

**Key Issues / Recommendations**

*2006 New Council Priorities*

For 2006, the Program is requesting 1 New Service request that falls under Council’s priority of Improving the Planning Process. The request is for staff overtime expenses in the amount of \$0.400 million to meet the legislative timeframes prescribed under the Brownfield’s Statute Law Amendment Act. The expenditure is to be offset by a new Building Permit Fee increase of \$40 per residential unit with new revenue totaling \$0.400 million assuming 10,000 units. The new request is proposed as it will have a net \$0 impact to the Building Services’ 2006 Operating Budget.

**Appendix B**

**Summary of Council Priority Services and New Service Requests**