

# Analyst Briefing Notes

## Budget Committee - February 16, 2010

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February 16, 2010

**PART I: 2010 OPERATING BUDGET****Executive Summary**

- Technical Services, through the provision of their four service areas, Land Surveys and Mapping, Municipal Infrastructure Design and Construction, Engineering Policies, Standards and Support, and Engineering Review and Approval, provides professional planning and project management services in the area of municipal engineering to ensure sustainable infrastructure and a safe and healthy environment for the people of Toronto.
  - The Program delivers services within a highly complex environment, reflecting in large part, the broad nature of services and clients involved. It balances emerging Mayoral and/or Council priorities, such as the Basement Flooding Remediation Work Plan and Wet Weather Flow Master Plan, with a need to address the state of good repair backlog for Transportation Services, TTC, Toronto Water and Solid Waste Services.
- Technical Services' main service objectives include:
  - Improvement of Capital Works Program delivery rates to 90% by transitioning to a 5 year planning and construction cycle and by improving interdivisional coordination for capital work program delivery.
  - Optimization of business processes by harmonizing standards, processes and information technology tools, by developing a common repository for capital works assets and commencing mapping of underground utilities outside the boundaries of the former City of Toronto.
  - Retention of skilled staff and expansion of the technical workforce in a highly competitive environment through various training and professional development strategies including succession planning.
  - Development of key performance measures to improve service delivery and compliance with Council mandated STAR timelines for development application review.
  - Advancement of the Climate Change Adaptation, Clean Air and Sustainable Energy Action Plan by providing expertise for a broad range of projects and activities aimed at reducing energy and water demand, CO<sub>2</sub> emissions and other negative impacts to the environment.
- Technical Services' key accomplishments in 2009 include sustained delivery of the Capital Works Program despite increased workloads, unfilled vacancies and a six week labour disruption; increased efficiencies through improvements to the capital planning process; commencement of the organizational restructuring and implementation of a new Portfolio Management and Support Section to separate capital planning activities from capital delivery; and implementation of an Engineering Internship Program (EIP) for succession planning in the medium and long term.
- For 2009, Technical Services projects year-end net expenditures of \$12.917 million, which are \$0.210 million or 1.6% below the 2009 Approved Operating Budget of \$13.127 million net.

This favourable variance primarily results from unfilled vacancies, which is largely reflective of the competitive labour market conditions for skilled professional and technical staff experienced in the Greater Toronto Area over the last several years.

- The 2010 Recommended Operating Budget for Technical Services includes a \$0.137 million gapping increase. The Program will also absorb non-labour pressures of \$0.008 million net. Therefore, the 2009 Budget experience has been taken into account for 2010.

**Table 1: 2010 Recommended Budget**

	2009		2010 Recommended Operating Budget			Change - 2010 Recommended Operating Budget v. 2009 Appvd. Budget		FY Incremental Outlook	
	2009 Appvd. Budget	2009 Projected Actual	2010 Rec. Base	2010 Rec. New/Enhanced	2010 Rec. Budget		%	2011	2012
	\$	\$	\$	\$	\$			\$	\$
(In \$000s)									
<b>GROSS EXP.</b>	63,646.5	60,447.5	66,234.3	1,447.2	67,681.5	4,035.0	6.3	1,695.6	8.5
<b>REVENUE</b>	50,519.8	47,530.5	53,318.6	2,155.9	55,474.5	4,954.7	9.8	1,840.3	(295.5)
<b>NET EXP.</b>	13,126.6	12,917.0	12,915.6	(708.7)	12,207.0	(919.6)	(7.0)	(144.6)	304.0
<b>Approved Positions</b>	636.6	627.0	636.6	18.0	654.6	18.0	2.8	6.0	(4.0)

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
<b>NET BUDGET</b>	<b>12,607.0</b>	<b>12,207.0</b>	<b>(400.0)</b>	<b>12,282.9</b>
<b>PROGRAM REDUCTION (\$)</b>	<b>(1,135.8)</b>	<b>(1,535.8)</b>	<b>(400.0)</b>	<b>(179.9)</b>
<b>PROGRAM REDUCTION (%)</b>	<b>(8.7)</b>	<b>(11.7)</b>	<b>(3.0)</b>	<b>(1.4)</b>

- The 2010 Recommended Operating Budget for Technical Services of \$67.682 million gross and \$12.207 million net is \$0.920 million or 7% below the 2009 Approved Operating Budget, and achieves Program reductions of \$1.536 million or 11.7% of the 2009 Approved Operating Budget, which is \$0.400 million or 3% greater than the reduction target for Technical Services in 2010.
- The 2010 Recommended Operating Budget for Technical Services includes funding from new revenues resulting from the recommended new and enhanced service priority actions that total \$0.709 million. Approval of the 2010 Recommended Budget will result in the Program’s total staff complement increasing from 636.6 to 654.6 positions due to new and enhanced priority actions recommending the addition of staff for Transit City initiatives (16 temporary positions) and Toronto Waterfront Revitalization development applications review (2 permanent positions).
- The 2010 Recommended Operating Budget for Technical Services results in future year impacts reflecting a net reduction to the Program’s budget of \$0.145 million in 2011 and an incremental net increase of \$0.304 million in 2012.
  - In 2011, projected increases of \$0.886 million for COLA, progression pay and step increases, will be offset by \$1.030 million in increased revenue resulting from the annualized revenues to be generated from 2010 recommended new service priority actions.

- The 2012 Outlook anticipates incremental increases of \$0.304 million for progression pay and step increases.
- Technical Service continues to work on various service delivery improvement strategies. These options will be further reviewed over the course of the year and presented for consideration with the 2011 Operating Budget.
- The 2010 Recommended Base Budget provides funding for the following key cost drivers:
  - Cost of Living allowance (COLA) of 2% for union staff and 1% for exempt staff and progression pay and step increases account for of \$0.129 million net.
  - Higher costs of contracted and other professional services result in a further increase of \$0.101 million.
  - Pressures arising from anticipated lower revenues from survey and mapping fees of \$0.387 million net.
- The cost drivers noted above will be partially off-set by the following savings included in the 2010 Recommended Operating Budget:
  - The re-alignment of salary and benefit costs with current requirements resulting in base budget savings of \$0.025 million net.
  - An increase in gapping of \$0.137 million net to assist the Program in achieving its target.
  - A reduction of \$0.010 million achieved by lowering the fleet reserve contribution and absorbing non-salary inflationary pressures.
  - An increase in project engineering and management fees in order to recover some of the actual costs of providing capital project support and delivery services to TTC of \$0.654 million.
- The Program's 2010 Recommended Operating Budget includes service changes with savings of \$1.536 million or 11.7 % of the 2009 Approved Operating Budget that will result in incremental revenue of \$1.030 million in 2011. The recommended 2010 service changes are:
  - Base change savings of \$0.827 million from salary and benefit cost adjustments and anticipated higher capital cost recoveries, as noted above, and,
  - Revenue changes in the total amount of \$0.709 million, generating an incremental revenue of \$1.030 million in 2011, resulting from recommended new/enhanced service priority actions that will result in: (a) additional net revenue of \$0.309 million in 2010 (incremental impact of \$0.500 million in 2011) from Engineering and Inspection fees charged for the review of applications submitted by Waterfront Toronto, by dedicated staff, and (b) introduction of a new "Full Stream Utility Cut Permit Fee" that will generate revenue of \$0.400 million 2010 (and an additional \$0.530 million in 2011), in order to recover the costs of services currently provided by the City at no charge.

- The following key program issues have been identified during the 2010 Operating Budget process:
  - The need to ensure successful recruitment and retention of skilled professional and technical staff despite industry shortages.
  - In 2009, approximately 83% of the Program's gross operating budget was funded through recoveries from its clients' capital projects. As the issue of capital recoveries concerns several other Program areas, it will be considered corporately in the context of a revised City-wide policy regarding the capitalization of eligible costs, including salary and other indirect costs in accordance with Generally Accepted Accounting Principles (GAAP), Public Sector Accounting Board (PSAB) requirements and Government Finance Officers Association (GFOA) best practices. Accordingly, no further increases in capital recoveries, other than those associated with the direct work on capital projects, are recommended for 2010. It is anticipated that the new policy will address various aspects of capital program/project delivery and provide appropriate cost recovery models for 2011 and beyond.
- The 2010 Recommended Operating Budget for Technical Services provides funding for the Program to complete, continue and initiate the following activities:
  - Complete harmonization of standards, processes and information technology tools.
  - Continue to deliver road, water main, sewer and streetcar track construction projects with a goal of achieving 90% of work that was requested by clients.
  - Undertake capital project work on behalf of their clients estimated at a total project cost of \$1.049 billion with a cash flow of \$522.0 million in 2010.
  - Continue to provide a one-window service to the development industry with respect to review of applications made under the Planning Act, with an aim of completing 75% of applications within STAR timelines.
  - Commence the mapping of underground utilities throughout various parts of the City outside the boundaries of the former City of Toronto.

**Recommendations**

The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2010 Recommended Operating Budget for Technical Services of \$67.682 million gross and \$12.207 million net, comprised of the following services:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Survey and Mapping	23,054.5	4,557.6
Development Engineering	6,495.3	5,009.3
Facilities and Structures	11,562.0	84.4
District Engineering	22,839.9	2,076.0
Program Administration	1,381.8	560.7
Portfolio Management and Support	2,348.0	(81.2)
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Total Program Budget	67,681.6	12,207.0
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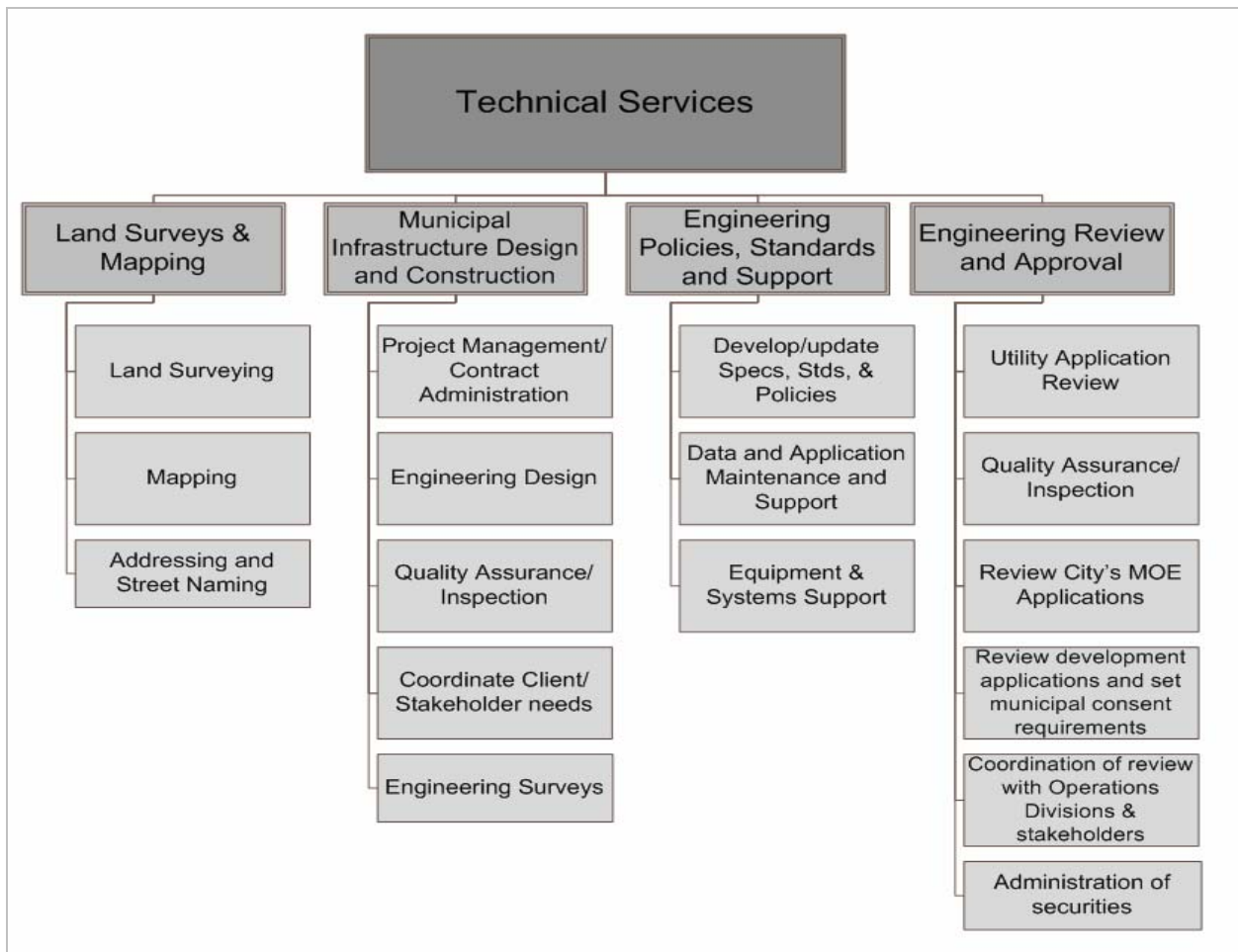
**PART II: 2010 SERVICE OVERVIEW AND PLAN**

**Mission Statement**

Technical Services provides professional planning and project management services in the area of municipal engineering to ensure sustainable infrastructure and a safe and healthy environment for the people of Toronto.

Technical Services delivers four services, as outlined below. The costs associated with providing the services are recovered, in large part, from City Programs and the TTC, as well as charges to outside organizations.

**Program Map**



***Land Surveys and Mapping***

Land Surveys and Mapping provides relevant, timely and cost-effective professional surveying and mapping products and support. It assesses and compiles City property ownership information, marks out City property boundaries, provides thematic mapping services and manages the City’s foundation and related spatial data. Mapping products, street naming and

municipal numbering are available to the public on a cost recovery basis. The following are the main activities of this service:

- *Land Surveying* includes topographic and boundary surveying, real estate interest analysis and Land Registry Office Plan/ Surveyor Report preparation. The intended level of service for this activity is to perform it in scope, on time, within budget and compliant with defined industry standards and policies.
- *Mapping* includes capital program maps, special purpose/ thematic mapping and utility mapping. Capital program maps are prepared annually.
- *Addressing and Street Naming* includes issuance/correction of street names and maintenance of related databases.

### ***Municipal Infrastructure Design and Construction***

Municipal Infrastructure Design and Construction provides engineering expertise for the renewal, replacement and expansion of the City's capital works program, such as transit, roads, sewers, watermains, facilities and structures. The following activities are performed:

- *Project Management/ Contract Administration* are provided in scope, on time, within budget and compliant with defined industry standards and policies.
- *Engineering Design* provides contract documents (contract drawings and specifications) for facilities (vertical) and linear infrastructure in scope, on time, within budget and compliant with defined industry standards and policies.
- *Quality Assurance/ Inspection* of contract drawings and specifications is provided to ensure 100% compliance with contract requirements.
- *Client/ Stakeholder Need Coordination* includes coordination through the Toronto Public Utilities Coordinating Committee (TPUCC), provision of design initiation notices, scope definition and construction contract coordination.
- *Engineering Surveys* include pre engineering, construction layouts, as built drawings and plans, design and construction support and base plans for preliminary design.

### ***Engineering Policies, Standards and Support***

Engineering Policies, Standards and Support provides consistent, current and standardized tools to support the design, construction, operation and maintenance of City infrastructure. The main activities are:

- *Develop/Update Specifications, Studies and Policies* providing standard drawings, specifications, tender templates and procedure manuals.
- *Data and Application Maintenance and Support* includes tabular data management, horizontal and vertical controls, graphic and CADD data and systems management, foundation and strategic spatial data support and maintenance.

- *Equipment and Systems Support* provides survey systems and CADD equipment support.

### ***Engineering Review and Approval***

Engineering Review and Approval delivers one-window service for engineering review of development and utility applications, including the coordinated inspection of all development activities. The following describes the main activities:

- *Utility Application Review* includes Long Stream (Major) and Short Stream (Minor) application review with the application turnaround time of 20 working days and 7 working days respectively.
- *Quality Assurance/ Inspection* of engineering drawings for construction and acceptance/assumption of municipal infrastructure is performed in compliance with City standards, specifications and requirements as well as development agreements and municipal consent requirements.
- *Review City's Ministry Of Environment (MOE) Applications* to ensure that certificates of approval for water and sewage works comply with MOE requirements.
- *Review development applications and set municipal requirements* involves approval of development applications and construction drawings for new infrastructure for Complex, Routine and Quick Stream application, with the following service turnaround times:
  - Complex Stream: 8 weeks for the first circulation and 6 weeks per recirculation.
  - Routine Stream: 6 weeks for the first circulation and 3 weeks per recirculation.
  - Quick Stream: 4 weeks for the first circulation and 2 weeks per recirculation.
- *Co-ordinate Review with Operating Divisions and Stakeholders* for Complex, Routine and Quick Stream applications, within the same standard turnaround time as above.
- *Administration of Securities* involves securing letters of credits in compliance with development requirements for construction of infrastructure.

### **Service Objectives**

Technical Services has established service objectives that reflect the Program's strong commitment to providing services which meet or exceed client expectations. The following section outlines Technical Services' objectives for 2010 and beyond.

- **Service Delivery Strategies**
  - Improve Capital Works Program delivery rates to 90% by transitioning to a 5 year planning and construction cycle to improve internal capacity for delivering the growing capital delivery program and meet the projected rate of infrastructure renewal needs and by improving interdivisional coordination for capital work program delivery.
  - Optimize business processes by harmonizing standards, processes and information technology tools including computer assisted design and drafting, by developing a common

repository for capital works assets and commencing mapping of underground utilities outside the boundaries of the former City of Toronto.

- Establish the training and professional development strategies including internship programs to refresh and expand professional and technical workforce.
- Develop key performance measures to improve service delivery and compliance with Council mandated STAR timelines for development application review.

- **Mayor and Council Priorities**

- Advance the Climate Change Adaptation, Clean Air and Sustainable Energy Action Plan by providing expertise in the design, construction, contract administration and management for a broad range of projects and activities aimed at reducing energy usage, CO<sub>2</sub> emissions, water demand and other negative impacts to the environment.

In parallel with the business process changes to enable transitioning to the 5-year Capital Works Program, Technical Services has been re-examining its organizational structure to provide greater focus on capital delivery. As a result of these efforts, the Program initiated an organizational restructuring process in 2009. The restructuring will better align Technical Services' core services and allow for greater efficiencies and enhance the delivery of the growing Capital Works Program.

The primary component is the establishment of a new section within Technical Services, the Portfolio Management and Support Section, intended to separate the capital planning coordination and programming from actual capital project delivery, as well as to separate non-core activities such as utility and third-party review, from the capital delivery units within Technical Services. The Portfolio Management and Support Section is comprised of 3 units: Planning and Programming, Utility and Third Party Review, and Standards, Policies and Quality Assurance (SPQA).

Once organizational changes are implemented, the Program's services will be realigned appropriately in the Program Map.

## PART III: 2009 EXPERIENCE

### 2009 Accomplishments

Technical Services' major accomplishments in 2009 include:

- Continued delivery of Capital Works Programs despite increased workloads, unfilled vacancies and a six week labour disruption.
- Increased efficiencies through improved planning - earlier completion of designs leading to earlier start of tendering process, and, ultimately, to better prices and improved delivery.
- On-going monitoring of a newly implemented fee structure to recover the engineering review and inspection costs on development related infrastructure.
- Initiated organizational restructuring and alternate delivery methods including a new Portfolio Management and Support Section, to separate planning activities from delivery, which will lead to operational efficiencies and, thus, increased capacity.
- Implemented an Engineering Internship Program (EIP) for succession planning in the medium and long term.

**Table 2: 2009 Budget Variance Review (\$000s)**

(In \$000s)	2008 Actuals	2009 Approved Budget	2009 Projected Actuals*	2009 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	57,368.7	63,646.5	60,447.5	(3,199.0)	(5.0)
<b>REVENUES</b>	42,616.4	50,519.8	47,530.5	(2,989.3)	(5.9)
<b>NET EXP.</b>	14,752.3	13,126.6	12,917.0	(209.6)	(1.6)
<b>Approved Positions</b>	561.6	636.6	627.0	(9.6)	(1.5)

\*Projected Actuals Based on the September 30, 2009 Variance Report

### 2009 Budget Variance Analysis

Technical Services' Third Quarter Variance report projects that the Program will be \$0.210 million or 1.6% below the 2009 Approved Operating Budget of \$13.127 million net by year-end.

- The favorable year-end variance is mainly due to unfilled vacancies. Currently there are approximately 90 permanent vacancies (with 28 vacancies held to maintain budgeted gapping of 4.3%). The vacancies are largely reflective of the competitive labor market conditions experienced over the last several years in the Greater Toronto Area for skilled professional and technical staff.

**Impact of 2009 Operating Variance on the 2010 Recommended Budget**

- Technical Services' favorable variance is not expected to continue into 2010 as plans have been developed in consultation with Human Resources for a recruitment strategy that will assist in accelerating the hiring process for professional and technical staff.
- However, in recognition of the significant vacancies, the 2010 Recommended Base Budget includes an increase in gapping of \$0.137 million, which allows Technical Services to get closer to its 2010 reduction target.

## PART IV: 2010 RECOMMENDED BASE BUDGET

**Table 3: 2010 Recommended Base Budget (\$000s)**

(In \$000s)	2009 Appvd. Budget	2010 Recommended Base	Change 2010 Recommended Base v. 2009 Appvd. Budget		FY Incremental Outlook	
			\$	%	2011	2012
<b>GROSS EXP.</b>	63,646.5	66,234.3	2,587.8	4.1	885.8	304.0
<b>REVENUE</b>	50,519.8	53,318.6	2,798.8	5.5	0.0	0.0
<b>NET EXP.</b>	13,126.6	12,915.6	(211.0)	(1.6)	885.8	304.0
Approved Positions	636.6	636.6	0.0	0.0		

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
<b>NET BUDGET</b>	<b>12,607.0</b>	<b>12,915.6</b>	<b>308.7</b>	<b>12,282.9</b>
<b>PROGRAM REDUCTION (\$)</b>	<b>(1,135.8)</b>	<b>(827.1)</b>	<b>308.7</b>	<b>(179.9)</b>
<b>PROGRAM REDUCTION (%)</b>	<b>(8.7)</b>	<b>(6.3)</b>	<b>2.4</b>	<b>(1.4)</b>

Note: 2010 Recommended Program Reduction of \$0.827 million excludes new service priority actions of \$0.709 million that contribute to achieving target.

**Table 3a: Program Reduction Requirements (\$000s)**

(In \$000s)	2010 Required Reductions	2011 Required Reductions
2009 Approved Budget (September 30)	13,126.6	
<b>Pressures Reported with 2010 / 2011 Outlook</b>	<b>136.7</b>	<b>332.2</b>
Pressures Not Reported in 2010 / 2011 Outlook	479.5	(476.4)
<b>5% Reduction Target</b>	<b>(656.3)</b>	<b>(656.3)</b>
Additional Pressures not in 2010 Reported Outlook	(479.5)	476.4
<b>Program Reduction Target</b>	<b>(1,135.8)</b>	<b>(179.9)</b>
<b>Net Budget Target</b>	<b>12,607.0</b>	<b>12,282.9</b>

### *2010 Recommended Base Budget*

The 2010 Recommended Base Budget of \$66.234 million gross and 12.916 million net represents a \$0.211 million or 1.6% decrease over Technical Services' 2009 Approved Operating Budget of \$13.127 million net. The 2010 Recommended Base Budget includes funding of \$0.616 million for base budget increases, which have been offset by \$1.536 million in budget reductions arising from recommended service changes.

The 2010 Recommended Base Budget of \$12.916 million net includes recommended reductions of \$0.827 million for base changes. This represents \$0.309 million or 2.4% in Program reductions below the Technical Services 2010 Operating Budget reduction target of \$1.136 million or 8.7% of the 2009 Approved Budget.

It should be noted that in addition to base service changes, the 2010 Recommended Operating Budget for Technical Services includes New/Enhanced Service Priority Actions that generate net revenue of \$0.709 million net that contribute to achieving the Program target. As a result, program reductions total \$1.536 million net or 11.7% of the 2009 Approved Operating Budget. (*Please see Part V: 2010 Recommended Service Changes*).

### **2010 Base Budget Key Cost Drivers**

The 2010 Recommended Base Budget provides funding for the following key cost drivers:

- Cost of Living allowance (COLA) of 2% for union staff and 1% for exempt staff of \$0.939 million gross and \$0.094 million net.
- Progression pay and step increases for eligible non-union and union positions of \$0.208 million gross, \$0.021 million net and \$0.139 million gross and \$0.014 million net, respectively.
- Higher costs of contracted and other services of \$0.547 million gross and \$0.101 million net.
- Pressures arising from anticipated lower revenues from Development Application and Survey and Mapping fees of \$0.387 million net.

Base budget pressures have been offset by reductions of \$0.827 million resulting in 2010 savings of \$0.827 million as discussed below.

- *Reduce Base Salaries and Benefits:* Adjustments to salaries and benefits in the amount of \$0.025 million net is recommended to account for the realignment of new positions approved in 2009 and reestablish the budget for vacant positions at minimum level of the range.
- *Decrease of Contribution to Fleet Reserve:* Reduction in fleet reserve contributions accounts for \$0.002 million.
- *Increase Gapping Provision:* An increase in gapping of \$0.137 million net for 2010 is recommended in order for the Program to meet its 2010 reduction target. In 2009, there were approximately 90 permanent vacancies, with 28 vacancies held to maintain budgeted gapping of 4.3% or \$2.576 million. Based on an average gross salary for positions held for gapping, an additional 1.5 position will have to remain vacant in 2010 in order to achieve the recommended gapping rate of 4.4% or \$2.713 million.
- *Absorb Non-Salary Inflationary Factors:* Technical Services will absorb inflationary increases of \$0.008 million in non-salary costs, while maintaining current service levels.
- *Increase Project Engineering and Management Fees:* An increase in project engineering and management fees for work on state-of-good repair projects for Toronto Transit Commission (TTC) in the amount of \$0.654 million is recommended. This increase is intended to bring

Technical Services' recoveries closer to the actual costs of providing capital project support and delivery service to TTC. Currently, according to the corporate policy, Technical Services recovers some of its costs from a 10% project management fee. However, actual work delivered by Technical Services includes a number of other activities outside of the project management scope, such as pre-engineering, design and tendering. Therefore, the current project management fee of 10% is not sufficient to provide full cost recovery to Technical Services, which is approximately 16.5% of the estimated contract value. The \$0.654 million increase will bring this recovery to 13.5% in 2010. On-going discussions with TTC will address potential increases in 2011 and beyond.

### **2010 Service Changes**

Technical Services 2010 Recommended Base Budget recommends service change savings of \$0.827 million representing 6.3 % of the 2009 Approved Budget that have no incremental impact in 2011. The recommended 2010 service changes are comprised of base change savings as noted above.

### **2011 and 2012 Outlook: Net Incremental Impact**

Approval of the 2010 Recommended Base Budget for Technical Services will result in a 2011 and 2012 incremental increase of \$0.886 million and \$0.304 million, respectively, to maintain the 2010 level of service and staff complement. Future year costs are primarily attributed to the following:

- The 2011 Outlook for Technical Services anticipates an incremental net expenditure increase of \$0.886 million for COLA, progression pay and step increases.
- The 2012 Outlook anticipates an incremental increase of \$0.304 million for progression pay and step increases only.

Technical Services continues to work on future service improvement and reduction strategies and will present them for consideration during the 2011 Operating Budget process.

## PART V: 2010 RECOMMENDED SERVICE CHANGES

**Table 4: 2010 Recommended Service Change Summary**  
(In \$000s)

Description	2010 Recommended Service Changes				Net Incremental Impact	
	Position Change	Gross Exp.	Net Exp.	% Change over 2009 Budget	2011	
	#	\$	\$	#	\$	# Pos
<b>Base Change Summary</b>	<b>0.0</b>	<b>(485.5)</b>	<b>(827.1)</b>	<b>(6.3%)</b>	<b>0.0</b>	<b>0.0</b>
<b>Service Efficiencies:</b>						
<b>Revenue Changes:</b>						
<b>Minor Service Level Changes:</b>						
<b>Major Service Level Changes:</b>						
<b>Sub-Total Service Changes</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>New/Enhanced Service Priority Actions*</b>	2.0	191.0	(708.7)	(5.4%)	(1,030.0)	
<b>Total Changes</b>	<b>2.0</b>	<b>(294.5)</b>	<b>(1,535.8)</b>	<b>(11.7%)</b>	<b>(1,030.0)</b>	<b>0.0</b>

### 2010 Recommended Service Changes

The budgetary impact of implementing the base service changes are included in the 2010 Recommended Budget, with savings estimated at \$1.536 million in 2010 with an incremental revenue impact of \$1.030 million in 2011. Approval of the recommended service changes will result in an increase of 2 approved permanent positions. Included in the \$1.536 million in savings is \$0.827 million in reductions applied to the base budget as described in previous section, which will have no impact in the level of service provided by the Program in 2010.

#### New/Enhanced Service Priority Actions

In addition to the base changes, it is recommended that two New/Enhanced Service Priority Actions be approved for 2010. Approval of these New/Enhanced Service Priority Actions totaling \$0.709 million will result in the generation of new revenue for Technical Services. *(Please see Part VI: Recommended New Service Priority Actions).*

In total, the Program has achieved reductions of \$1.536 million net in savings or 3% above its reduction target of \$1.136 million net or 8.7% of the 2009 Approved Operating Budget.

**PART VI:  
RECOMMENDED NEW SERVICE PRIORITY ACTIONS**

**Table 5: 2010 New / Enhanced Service Priority Actions: Summary**

(In \$000s)

Description	2010 Recommended			Net Incremental Impact			
	Gross Exp.	Net Exp.	New Position	2011		2012	
	\$	\$	#	\$	# Pos	\$	# Pos
<b>Enhanced Services:</b>							
(a) Enhanced Services - Council Approved							
(b) Enhanced Services - Program Initiated							
<b>Sub-Total Enhanced Services</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>New Services:</b>							
(a) New Services - Council Approved							
Transit City Positions	1,256.2	0.0	16.0		6.0		(4.0)
(b) New Services - Program Initiated							
Positions for Toronto Waterfront Revitalization							
Development Project Review	191.0	(308.7)	2.0	(500.0)			
Implement Full Stream Utility Cut Permit Fee to Recover Associated Costs		(400.0)		(530.0)			
<b>Sub-Total New Services</b>	<b>1,447.2</b>	<b>(708.7)</b>	<b>18.0</b>	<b>(1,030.0)</b>	<b>6.0</b>	<b>0.0</b>	<b>(4.0)</b>
<b>Total Enhanced/New Services</b>	<b>1,447.2</b>	<b>(708.7)</b>	<b>18.0</b>	<b>(1,030.0)</b>	<b>6.0</b>	<b>0.0</b>	<b>(4.0)</b>

**2010 Recommended New / Enhanced Service Priority Actions**

**New Service Priority Actions**

*Council Approved*

*Transit City Positions (\$1.256 million gross, \$0 net)*

In March 2007, the Toronto Transit Commission approved the Transit City Light Rail Plan. The design and construction of the new Light Rapid Transit (LRT) lines for Transit City includes significant road, sewer, watermain and bridge replacements/enhancements. While this work will be performed by the TTC or its agent, Technical Services has been allotted a total of 5 staff positions in 2009, 16 positions in 2010, 22 positions in 2011 and 18 positions in each of 2012 and 2013 that will be dedicated to quality assurance and compliance inspection to ensure that City standards and

conditions are met and construction conforms with proposed designs. These resources will be funded by the Transit City Capital project in the TTC Capital Budget.

Funding for 2009 was approved by Council, however appropriate staff have not yet been hired. Therefore, all positions (2009 and 2010) are included in the 2010 Recommended Operating Budget, resulting in an increase in staff complement of 16 temporary positions (effective May 1, 2010) and funding of \$1.256 million gross, \$0 net. Another 6 incremental positions at a cost of \$0.392 million and an incremental impact of \$0 net will be required in 2011. Positions recommended for 2010 include: Senior Engineers (6), Engineers (2), Civil Engineering Technologists (3), Inspectors (2), Assistant Inspectors (2) and Contract Coordinators (1).

### ***Program Initiated***

*Positions for Waterfront Toronto Development Project Review (\$0.191 million gross, \$0.309 million net revenue)*

The revitalization of Toronto's Waterfront is an ongoing and long-term City initiative which has gained momentum as the earlier planning work proceeds to implementation. The recent award of the 2015 Pan Am Games to the City of Toronto has accelerated the already aggressive schedule for a number of Waterfront Developments. As a result, the Toronto and East York Development Engineering unit within Technical Services is reviewing multiple project applications within the West Don Lands, East Bayfront, Portlands and the Lower Donlands areas within the Waterfront. Due to the increased volume of work, and recognizing that both revitalizing Toronto's Waterfront and improving the planning process are Council's priorities, two new permanent positions, effective January 1, 2010, at a cost of \$0.191 million are recommended. A Senior Engineer position and a Works Plan Examiner Inspector position, will be dedicated to the review of applications submitted by Waterfront Toronto, which will allow the Development Engineering unit to process applications in a timely manner and provide a better level of customer service to Waterfront Toronto.

This will result in approximately \$0.500 million in revenues from engineering review and inspection fees in 2010. The revenue generated will be sufficient to offset base costs of new positions and will also enable Technical Services to use the remaining revenue of \$0.307 million net to meet its 2010 reduction target. Additional net revenue of \$0.500 million is anticipated for 2011.

The additional two positions will increase the City's ability to respond to development applications faster, which will ultimately enhance the speed at which Toronto's Waterfront is revitalized. The 2010 target in terms of STAR timeline compliance is 75% (compared to estimated 65% in 2009).

*Implement Full Stream Utility Cut Permit Fee to Recover Associated Costs (\$0.400 million net revenue)*

In order to expedite the review and efficient approval of utility works, permit applications are sorted into "short stream" or "full stream" applications. The former, make up about 90% of the total, and involve relatively minor works such as emergency repairs, connection of services to mainlines, reconstruction of mainline distribution or surface infrastructure including pole lines along an existing alignment, etc. Full stream applications require a greater level of engineering review for activities such as relocation or installation of new underground infrastructure on a new alignment or other work that has potential to disrupt existing utilities. The detailed review and inspection of full

stream applications is undertaken by Technical Services. However, the expenses associated with these activities are not currently recovered from the applicant.

Approximately 1,600 full stream applications are processed annually. In conjunction with Transportation Services, Technical Services is proposing to implement a "Full Stream Utility Cut Permit Fee", which will be considered by the Public Works and Infrastructure Committee at its March 2010 meeting in a report from the General Manager, Transportation Services, entitled "Pavement Degradation Fees and Improvements to the Utility Cut Management Process". It is proposed that, effective June 1, 2010, a fee of \$600.00 be applied to each full stream application submitted to the City for consideration. This will allow the City to ensure that resources are dedicated to the review and inspection of full stream applications.

If approved, this fee will generate approximately \$0.400 million in revenue in 2010 and incremental revenue of \$0.530 million in 2011.

**PART VII: ISSUES FOR DISCUSSION****2010 Budget Issues*****2010 Recommended Operating Budget vs. 2009 Approved Operating Budget***

The 2010 Recommended Operating Budget for Technical Services of \$12.207 million net is under the Program's 2010 target of \$1.136 million (8.7% reduction from the 2009 Approved Operating Budget) by \$0.400 million. This was achieved through a combination of measures:

- To offset pressures from labour and non-labour inflationary increases, the Program reduced its ongoing salary costs and absorbed some of non-labour inflationary pressures, which, coupled with additional recoveries for work on the TTC's capital projects support and delivery, resulted in base budget savings of \$0.827 million.
- In addition to the changes included in the 2010 Recommended Operating Base Budget, 2 New/Enhanced service priority actions will be initiated in 2010 in order to assist the Program in achieving its 2010 reduction target. By providing additional dedicated staff resources for review of Waterfront Toronto development applications and by implementing the full stream utility cut permit fee, these new service priority actions will result in a net revenue of \$0.709 million, thus bringing the Program's net savings to \$1.536 million and its 2010 Recommended Operating Budget to 11.7% below the 2009 Approved Operating Budget of \$13.127 million net.

***2009 Unfilled Vacancies***

In 2009, Technical Services continued to experience difficulties in hiring skilled professional and technical staff due to the competitive market conditions in the Greater Toronto Area. In consultation with Human Resources, the Program developed a recruitment strategy that will accelerate the hiring process and allow Technical Services to restore service levels based on a full complement. The Program also implemented an Engineering Internship Program (EIP) to ensure medium and long term succession planning. In 2009, 5 interns were included in the EI Program, with another 6 expected to start in 2010. It is estimated that the majority of the vacant positions (excluding those held for gapping) will be filled in 2010.

**2011 and Future Year Issues*****Capital Cost Recoveries***

Technical Services provides professional planning and project management services to Transportation Services, Toronto Water, Toronto Transit Commission and Solid Waste Services. In 2009, approximately 83% of the Program's gross operating budget was funded through recoveries from its clients' capital projects. In order to further realign capital recovery rates of individual staff positions working on capital projects, Technical Services estimated that an increase in capital recoveries to up to 90% will be required in 2010. As the issue of capital recoveries concerns several other Program areas, it will be considered corporately in the context of a revised City-wide policy regarding the capitalization of eligible costs, including salary and other indirect costs in accordance with Generally Accepted Accounting Principles, Public Sector Accounting Board requirements and

Government Finance Officers Association best practices. Therefore, no further increases in capital recoveries, other than those associated with the direct work on capital projects, are recommended for 2010. It is anticipated that this revised policy will address various aspects of capital program/project delivery and provide appropriate cost recovery models for 2011 and beyond.

***2011 Reduction Target***

Technical Services have considered a number of different reduction options for 2011 during the 2010 Budget Process. These options will be further reviewed over the course of the year and presented for consideration during the 2011 Operating Budget process. Implementation of revenue generation tolls such as full cost recovery for Development Application reviews, and increased fees for inspection of 3<sup>rd</sup> party work are among the options under consideration. It should be noted, however, that the 2010 Recommended Operating Budget includes new and enhanced service priority actions recommending new revenues that will, through the annualized new revenues, assist the Program in achieving its 2011 reduction target.

## Appendix A

## 2010 Recommended Base Budget Changes vs. 2009 Approved Budget

(In \$000s)	Summary of 2010 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2011	2012
		\$	\$	\$	\$	\$
<b>2009 Council Approved Operating Budget</b>	<b>632.6</b>	<b>64,130.6</b>	<b>49,148.5</b>	<b>14,982.0</b>	<b>0.0</b>	<b>0.0</b>
Technical Adjustments	4.0	(695.9)	1,371.3	(2,067.2)		
In-Year Budget Adjustments		211.8	0.0	211.8		
<b>2009 Approved Operating Budget</b>	<b>636.6</b>	<b>63,646.5</b>	<b>50,519.8</b>	<b>13,126.6</b>	<b>0.0</b>	<b>0.0</b>
Prior year impacts						
Annualizations from Prior Year		1,245.4	1,245.4	0.0		
Reversals from Prior Year						
Operating Impacts of Capital						
Zero base items						
Economic Increases						
Salary		1,285.3	1,156.7	128.6		
Non Salary		80.6	72.5	8.1	885.8	304.0
<b>Adjusted Base Budget</b>	<b>636.6</b>	<b>66,257.8</b>	<b>52,994.4</b>	<b>13,263.3</b>	<b>885.8</b>	<b>304.0</b>
Other base changes		(23.5)	56.4	(79.9)		
Base revenue changes		0.0	267.7	(267.7)		
<b>2010 Base Budget Prior to Service Changes</b>	<b>636.6</b>	<b>66,234.3</b>	<b>53,318.6</b>	<b>12,915.6</b>	<b>885.8</b>	<b>304.0</b>
Recommended Service Changes:						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
<b>Total Recommended Base Adjustments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>2010 Recommended Base Budget</b>	<b>636.6</b>	<b>66,234.3</b>	<b>53,318.6</b>	<b>12,915.6</b>	<b>885.8</b>	<b>304.0</b>

**Appendix C**

**Summary of 2010 Recommended New/Enhanced  
Service Priority Actions**

## Appendix D

## Program Summary by Expenditure Category

Cluster: B Program: Technical Services							
	2009 Approved Budget	2009 Projected Actuals	2010 Recommended Budget	Change from 2009 Approved Budget		2011 Outlook	2012 Outlook
	\$	\$		\$	%	\$	\$
Salaries and Benefits	56,857.1	53,657.1	60,364.0	3,506.9	6.2%	62,059.7	62,068.2
Materials and Supplies	516.1	516.1	549.1	33.0	6.4%	549.1	549.1
Equipment	961.2	961.2	1,038.7	77.5	8.1%	1,038.7	1,038.7
Services & Rents	2,823.8	2,823.8	3,052.8	229.0	8.1%	3,052.8	3,052.8
Contributions to Capital			653.7	653.7	n/a	653.7	653.7
Contributions to Reserve/Res Funds	673.3	673.6		(673.3)	(100.0%)	0.0	0.0
Other Expenditures			0.6	0.6	n/a	0.6	0.6
Interdivisional Charges	1,814.9	1,814.9	2,022.9	208.0	11.5%	2,022.9	2,022.9
<b>TOTAL GROSS EXPENDITURES</b>	<b>63,646.5</b>	<b>60,447.5</b>	<b>67,681.5</b>	<b>4,035.3</b>	<b>6.3%</b>	<b>69,377.5</b>	<b>69,386.0</b>
Interdivisional Recoveries	0.1	0.1	7.4	7.3	14600.0%	7.4	7.4
Provincial Subsidies							
Federal Subsidies							
Other Subsidies							
User Fees & Donations	2,215.6	2,215.4	1,960.6	(255.0)	(11.5%)	2,990.6	2,990.6
Transfers from Capital Fund	45,951.3	42,962.0	49,731.2	3,780.0	8.2%	50,541.5	50,246.0
Contribution from Reserve Funds							
Contribution from Reserve							
Sundry Revenues	2,353.0	2,353.0	3,775.7	1,422.7	60.5%	3,775.7	3,775.7
<b>TOTAL REVENUE</b>	<b>50,519.8</b>	<b>47,530.5</b>	<b>55,474.5</b>	<b>4,955.0</b>	<b>9.8%</b>	<b>57,315.1</b>	<b>57,019.6</b>
<b>TOTAL NET EXPENDITURES</b>	<b>13,126.6</b>	<b>12,917.0</b>	<b>12,207.0</b>	<b>(919.6)</b>	<b>(3.5%)</b>	<b>12,062.4</b>	<b>12,366.4</b>
<b>APPROVED POSITIONS</b>	<b>636.6</b>	<b>576.6</b>	<b>654.6</b>	<b>0.0</b>	<b>0.0%</b>	<b>660.6</b>	<b>656.6</b>

Appendix E

Inflows / Outflows to / from Reserves & Reserve Funds

Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Balance as of December	Proposed Withdrawals (-) / Contributions (+)		
		2009	2010	2011	2012
		\$	\$	\$	\$
Vehicle Reserve	XQ1507	2,578.5	217.0	217.0	217.0
Insurance Reserve Fund	XR1010	32,534.1	436.7	436.7	436.7
<b>Total Reserve / Reserve Fund Draws / Contributions</b>			<b>653.7</b>	<b>653.7</b>	<b>653.7</b>