



City Budget 2012

Technical Services Operating Budget Analyst Notes

The City of Toronto's budget is presented by program and service, in Analyst Note format. The City's Operating Budget pays the day-to-day operating costs for City services.

2012 Operating Budget

2012 OPERATING BUDGET ANALYST BRIEFING NOTES BUDGET COMMITTEE NOVEMBER 28, 2011

TABLE OF CONTENTS

PART I: RECOMMENDATIONS	3
PART II: 2012 SERVICE OVERVIEW AND PLAN	
Program Map and Service Profiles.....	5
2012 Recommended Service Levels	6
2012 Service Deliverables	8
PART III: 2012 RECOMMENDED BASE BUDGET	
2012 Recommended Base Budget	9
2012 Recommended Service Changes	11
2013 and 2014 Outlook	13
PART IV: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS	
2012 Recommended New/Enhanced Service Priority Actions	14
PART V: ISSUES FOR DISCUSSION	
2012 and Future Year Issues	16
Issues Referred to the 2012 Operating Budget Process	17
APPENDICES	
Appendix 1: 2011 Performance	19
Appendix 2: 2012 Recommended Operating Budget by Expenditure Category and Key Cost Drivers	22
Appendix 3: Summary of 2012 Recommended Service Changes	N/A
Appendix 4: Summary of 2012 Recommended New/Enhanced Service Priority Actions	25
Appendix 5: Inflows / Outflows to/ from Reserves and Reserve Funds	26

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PART I: RECOMMENDATIONS

2012 Recommended Operating Budget (In \$000s)

	2011		2012 Recommended Operating Budget			Change - 2012 Recommended Operating Budget v. 2011 Appvd. Budget		FY Incremental Outlook	
	2011 Appvd. Budget	2011 Projected Actual	2012 Rec. Base	2012 Rec. New/Enhanced	2012 Rec. Budget			2013	2014
	\$	\$	\$	\$	\$			%	\$
GROSS EXP.	67,971.5	60,271.5	68,840.8	1,170.0	70,010.8	2,039.3	3.0	967.8	352.9
REVENUE	57,471.1	49,800.1	59,350.0	1,170.0	60,520.0	3,048.9	5.3	775.3	264.7
NET EXP.	10,500.5	10,471.4	9,490.8	0.0	9,490.8	(1,009.7)	(9.6)	192.5	88.2
Approved Positions*	627.1	538.1	627.1	0.0	627.1	0.0	0.0	0.0	0.0

Target Comparison	10% Reduction Target	2012 Rec'd Reduction	2012 10% Reduction v.s. 2012 Rec'd Reduction	Target %
2012 Reductions	(1,046.2)	(1,325.9)	279.7	12.7%

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2012 Recommended Operating Budget for Technical Services of \$70.011 million gross and \$9.491 million net, comprised of the following services:

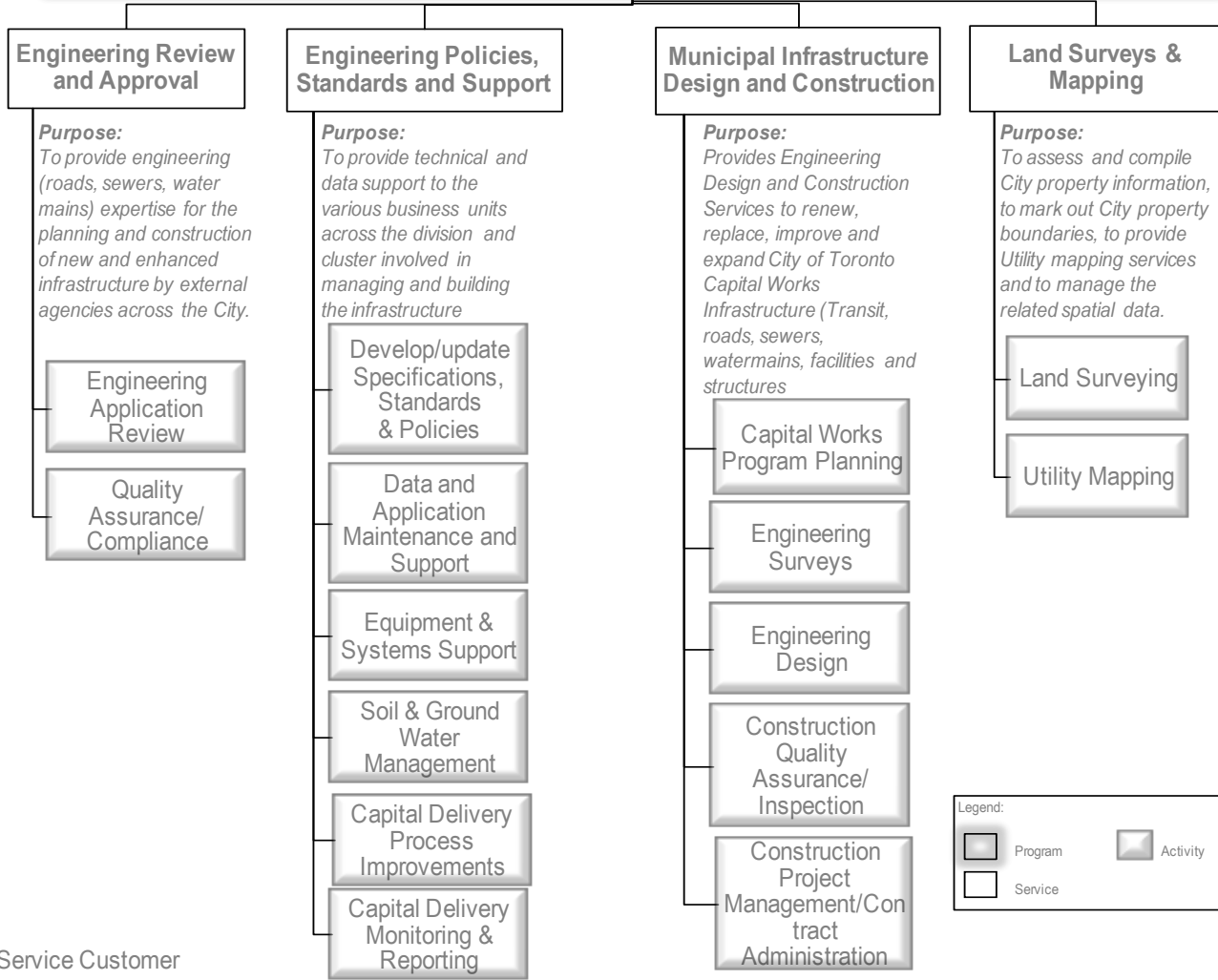
<u>Service(s)</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Survey and Mapping	21,579.2	3,316.1
Development Engineering	6,483.1	4,718.0
Linear Infrastructure	24,175.6	398.4
Major Works Facilities	9,746.3	0.0
Program Administration	1,208.8	430.1
Portfolio Management and Support	6,817.9	628.2
Total Program Budget	<u>70,010.8</u>	<u>9,490.8</u>

2. The approval to contract professional services for Transit Expansion projects in the amount of \$1.170 million gross, \$0 net, be subject to confirmation of funding from Metrolinx.

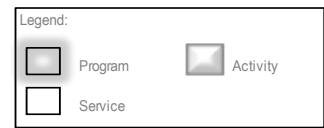
PART II: 2012 SERVICE OVERVIEW AND PLAN

Program Map and Service Profiles

Technical Services
To create safe and sustainable municipal infrastructure that enhances the quality of life for the people of Toronto, through professionalism in project planning, engineering and project management services.



Service Customer



•Engineering Review and Approval

- Economic Development and Culture including Business Improvement Areas (BIAs)
- City Planning
- Solid Waste
- Toronto Water
- Toronto Transit Commission (TTC)
- Developers
- Builders
- Law Firms
- Consultants
- Transportation Services
- Utility Companies
- Residents of the City of Toronto
- Third parties (Waterfront Toronto, GO Transit, etc)

Engineering Policies, Standards and Support

- Technical Services
- Toronto Water
- Transportation Services
- City Planning
- Parks, Forestry and Recreation
- Solid Waste Management
- Construction and Engineering Consulting Industry
- Development Industry

Municipal Infrastructure Design and Construction

- Toronto Water
- Transportation Services
- Solid Waste Management
- Toronto Transit Commission (TTC)
- City Planning
- Economic Development and Culture including Business Improvement Areas (BIAs)
- Parks, Forestry and Recreation
- Exhibition Place
- Utility Companies
- Agencies

Land Surveys & Mapping

- Members of Council
- Technical Services
- Transportation Services
- Toronto Water
- Solid Waste Management
- Facilities and Real Estate
- Parks, Forestry and Recreation
- City Planning
- Municipal Licensing & Standards
- The public
- Agencies
- Digital Map Owners Group (DMOG)
- Build Toronto

2012 Recommended Service Levels

The 2012 Recommended Operating Budget will result in minor service changes as detailed in the following chart describing the 2012 Proposed Service Levels and Activities:

Service	Activity	Type	Sub-Type	2011 Current Service Level	2012 Proposed Service Level
Engineering Review and Approval	Engineering Applications Review:	Development Applications	Complex Submission	66.7% compliance rate	75% compliance rate
			Routine Submission	71.1% compliance rate	75% compliance rate
			Quick Submission	77.8% compliance rate	75% compliance rate
			Consent Application	Unknown until Service Standard is developed	Unknown until Service Standard is developed
		MOE Transfer of Review		110 applications reviewed within 10 days	115 applications reviewed within 10 days
		Utility Application Certificate	Full Stream	1350 of 1900 applications reviewed in 2011	90 of 3500 applications reviewed within 20 days
		Third Party application			
	Quality Assurance/ Compliance:	Construction of Municipal Infrastructure	Acceptance of Construction of Infrastructure	TBD	TBD
			Assumption of Construction of Infrastructure	TBD	TBD
	Engineering Policies, Standards and Support	Develop / Update Specifications, Standards, and Policies	Manual, Policies, guideline, specification		TBD
Request for update				TBD	TBD
Data and Application Maintenance and Support		Application support		TBD	TBD
Equipment and Systems Support		Hardware Support		TBD	TBD
Soil & Ground Water Management		Provide Findings	Administered Peer Review Process	TBD	TBD
			Provide professional advice on managing contamination on City property	TBD	TBD
Capital Delivery Process Improvements		Process Improvements		TBD	TBD

Service	Activity	Type	Sub-Type	2011 Current Service Level	2012 Proposed Service Level
	Capital Delivery Monitoring and Reporting	Accomplishment Measures		TBD	TBD
		Performance Reports		TBD	TBD
		Technical Services Capital Works Program	Watermain	\$65.9M	\$60M
			Sewers	\$66.8M	\$70M
			Road	\$107M	\$120M
			Bridges	\$30M	\$30M
			Vertical Infrastructure	\$248M	\$250M
Municipal Infrastructure Design and Construction	Capital Work Program Planning	Annual linear CWP		being phased in	being phased in
	Engineering Surveys:	Pre-Engineering Survey		TBD	TBD
		Construction Layout		TBD	TBD
	Engineering Design:	Design	Vertical Infrastructure	TBD	TBD
			Linear Infrastructure	TBD	TBD
	Construction Quality Assurance / Compliance:	Acceptance of Municipal Infrastructure		TBD	TBD
	Construction Project Management/ Contract Administration:	Contracts		115 contracts	120 contracts
As Built Plan/ Drawing			TBD	TBD	
Land Surveys & Mapping	Land Surveying:	Boundary Surveys		completed projects by estimate date, 90% of the time	completed projects by estimate date, 90% of the time
		Land Records Analysis and Support		completed projects within 3 weeks, 90% of the time	completed projects within 3 weeks, 90% of the time
		Street Naming and Numbering		acknowledged receipt within 48 hrs and completed within estimate date, 90% of the time.	acknowledged receipt within 48 hrs and completed within estimate date, 90% of the time.
		Survey Controls		TBD	TBD
	Utility Mapping :	Underground Utility Map updates		4020 km of utility infrastructure updated	4020 km of utility infrastructure updated

2012 Service Deliverables

The 2012 Recommended Operating Budget for Technical Services of \$9.491 million provides funding to:

- 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.
- Improve efficiency through service consolidation.
- Optimize business processes through:
 - Improved coordination with utility companies
 - Expansion of Program Management delivery model.
- Undertake capital project work on behalf of its clients estimated at a total project cost of \$800.0 million with a cash flow of approximately \$500.0 million in 2012.
- Improve Performance Management through tracking/monitoring of service delivery costing.
- 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.
- Implement the mapping of underground utilities throughout various parts of the City outside the boundaries of the former City of Toronto.
- Improve succession management through:
 - Expanding Engineering Internship Program
 - Developing and implementing a trainee/internship program for engineering technologists and inspectors.

PART III: RECOMMENDED BASE BUDGET

2012 Recommended Base Budget (In \$000s)

(In \$000s)	2011 Appvd. Budget	2012 Recommended Base	Change 2012 Recommended Base v. 2011 Appvd. Budget		FY Incremental Outlook	
					2013	2014
	\$	\$	\$	%	\$	\$
GROSS EXP.	67,971.5	68,840.8	869.3	1.3	967.8	352.9
REVENUE	57,471.1	59,350.0	1,878.9	3.3	775.3	264.7
NET EXP.	10,500.5	9,490.8	(1,009.7)	(9.6)	192.5	88.2
Approved Positions	627.1	627.1	0.0	0.0	0.0	0.0

TARGET COMPARISON	10% Reduction Target	2012 Rec.'d Reduction	2012 Rec'd Reduction vs. 2012 10% Reduction Target	Target %
2012 Reductions	(1,046.2)	(1,325.9)	279.7	12.7%

2012 Recommended Base Budget

- The 2012 Recommended Base Budget of \$9.491 million net includes recommended reductions of \$1.326 million net equal to 12.7% of the 2011 Approved Operating Budget of \$10.501 million net. This is \$0.280 million or 2.7% greater than the Technical Services' 2012 reduction target of \$1.046 million or 10% of the 2011 Approved Net Operating Budget.
- The 2012 Recommended Base Budget of \$68.841 million gross and \$9.491 million net represents a \$1.010 million or 9.6% decrease from the 2011 Approved Operating Budget of \$10.501 million net.
- The 2012 Recommended Operating Budget reflects base expenditure savings and revenue increases totaling \$0.809 million gross and \$1.326 million net. There will be no change to current service levels.
- The 2012 Recommended Operating Budget for Technical Services provides funding for a staff complement of 627.1 positions, with no change to the 2011 approved staffing complement. One permanent manager position was transferred to City Planning for work on the Development Application Review Program as shown below, reducing Technical Services' approved staff complement to 627.1 in 2011:

2012 Recommended Staff Complement – Base Budget Summary

Changes	Staff Complement
2011 Approved Complement	628.1
- 2011 In-year Adjustments	(1.0)
2011 Approved Staff Complement	627.1
2012 Recommended Staff Complement	
- 2012 Temporary Complement - Capital Project Delivery	
- 2012 Operating impacts of completed Capital projects	
- 2012 Service Change Adjustments	
Total Recommended Complement	627.1

2012 Recommended Service Change Summary
(In \$000s)

Description	2012 Recommended Service Changes				Net Incremental Impact			
	Position Change	Gross Expense	Net Expense	% of 2012 Budget Reduction Target	2013		2014	
	#	\$	\$	%	\$	# Pos.	\$	# Pos.
Base Changes:								
Base Expenditure Changes								
Adjustment to Salaries and Benefits Based on Actual Experience		(84.1)	(45.7)	(0.4%)				
Increase in Gapping to Maintain 2011 Gapping Levels		(101.1)	(32.2)	(0.3%)				
Adjustment to Non-Salary Expenses Based on Actual Experience		(774.3)	(307.3)	(2.9%)				
Base Budget Change	0.0	(959.5)	(385.2)	(3.7%)	0.0	0.0	0.0	0.0
Base Revenue Changes								
Increase in Full Stream Utility Cut Permit Revenue		150.0	(671.6)	(6.4%)				
Realize Engineering & Inspection Revenue for Work Completed			(254.1)	(2.4%)				
Increase in Peer Review Administration Revenue			(15.0)	(0.1%)				
Base Revenue Change	0.0	150.0	(940.7)	(9.0%)	0.0	0.0	0.0	0.0
Sub-Total Base Budget Changes	0.0	(809.5)	(1,325.9)	(12.6%)	0.0	0.0	0.0	0.0
Total Service Changes	0.0	(809.5)	(1,325.9)	(12.6%)	0.0	0.0	0.0	0.0

2012 Recommended Service Changes

- The 2012 recommended service changes are comprised of base expenditure and revenue changes of \$0.809 million gross, \$1.326 million net, representing a 12.6 % reduction from the 2011 Approved Net Operating Budget that will not result in incremental cost savings or revenue increases in 2013.

Base Expenditure Changes (\$0.960 million gross, savings of \$0.385 million)

Adjustment to Salaries and Benefits Based on Actual Experience

- The salaries and benefits budget was adjusted based on the prior year actual experience for savings of \$0.046 million net.

Increase in Gapping:

- The budgeted gapping was increased by \$0.032 million net to maintain the 2011 gapping rate of 4.4% or \$2.748 million, which is accommodated within the salary budget. Currently, there are approximately 89 permanent vacancies.

Adjustment to Non-Salary Expenses Based on Actual Experience

- The budget for various non-salary expenses of \$0.774 million gross with associated revenues of \$0.467 million, was reduced based on a detailed review of actual spending, resulting in savings of \$0.307 million net. These non-salary expenses include various materials and supplies, equipment and professional services.

Base Revenue Changes (*\$0.150 million gross, savings of 0.941 million net*)*Increase in Full Stream Utility Cut Permit Revenue:*

- Additional revenues are anticipated based on increased volume of full stream applications for a total of \$0.672 million net.
 - Full stream applications are utility permit applications that require a significant degree of engineering review and inspection. A fee of \$600 per application is charged to recover associated costs. With the increase in infrastructure renewal programs undertaken by the various utility companies, permit applications are projected to more than double, increasing from approximately 1,600 applications in 2011 to 3,500 applications in 2012, and resulting in a resultant revenue increase of \$1.1 million.
 - In order to respond to this projected volume increase in applications, staff requirement will be accommodated from various service areas within the Program's existing complement. After accounting for additional costs for computer hardware, courier services, metrage, and office expenses estimated at \$0.150 million annually, as well as anticipated loss of capital recoveries of \$0.278 million (as transferred staff will not be able to work on capital projects), net revenue of \$0.672 million will be generated for 2012.

Realize Engineering and Inspection Revenue for Work Completed

- An increase in engineering review and inspection revenue of \$0.254 million net is projected based on the work to be completed in 2012.
 - Technical Services charges and collects an engineering review and inspection fee (5% of total capital cost of development projects). Typically this fee is collected at the time of the development application approval and revenue is recognized over a subsequent 2–3 years period following, when the work is actually completed. The projected work on engineering review and inspection to be completed in 2012

(based on development applications already received in 2011) will result in a net additional revenue of \$0.254 million.

Increase in Peer Review Administration Revenue

- A revenue increase of \$0.015 million is recommended to recognize revenue generated from a 7% peer review fee charged to developers to cover the City's cost for administering an environmental peer review process conducted in cases related to conveyance of land.

2013 and 2014 Outlook:

- Approval of the 2012 Base Budget for Technical Services will result in incremental net costs of \$0.193 million in 2013 and \$0.088 million in 2014. Future year costs are primarily attributable to the following:
 - The 2013 Outlook anticipates an incremental net expenditure increase of \$0.194 million for progression pay and step increases (\$0.118 million) and an increase in the OMERS premium rate of 0.9% (\$0.075 million).
 - The 2014 Outlook includes an incremental increase of \$0.088 million net for progression pay and step cost increases.
- No Cost of Living Allowance (COLA) has been projected as 2012 will be a bargaining year.

PART IV: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS

2012 Recommended New/Enhanced Service Priority Actions
(In \$000s)

Description	2012 Recommended			Net Incremental Impact			
	Gross Exp.	Net Exp.	New Position	2013		2014	
	\$	\$	#	\$	# Pos	\$	# Pos
Enhanced Services:							
Major Third Party Work (On City Right of Ways)	1,170.0	0.0					
Sub-Total Enhanced Services	1,170.0	0.0	0.0	0.0	0.0	0.0	0.0
New Services:							
(a) New Services							
(b) New Fees							
Sub-Total New Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Enhanced/New Services	1,170.0	0.0	0.0	0.0	0.0	0.0	0.0

2012 Recommended New/Enhanced Service Priority Actions

Enhanced Service Priority Actions

Major Third Party Work on City Right-of-Way

- Where third party projects include work on City right-of-ways, review of the third party work is required in order to ensure compliance with City requirements and to protect and maintain City services. Some of these projects are major City initiatives such as the Toronto–York Spadina Subway Extension (TYSSE) and Transit Expansion projects. As these projects are advancing into their implementation phase, there will be an increase in work load volume that cannot be supported by the current staff complement.
- Therefore, this priority action recommends contracting professional services to assist in workload peaks for engineering review and site inspection of third party work, at an estimated cost of \$1.170 million gross, with these services fully recoverable from clients. Engaging professional vendors will allow for a timely review of engineering design submissions, thus assisting in meeting tight project delivery timelines that these projects normally have.

- Currently, there is a high level agreement for Toronto–York Spadina Subway Extension project, outlining funding rules. A similar agreement needs to be reached with the Provincial Government through Metrolinx in order to ensure recovery of costs. Therefore, approval of this priority action is recommended conditional upon securing the funding from Metrolinx estimated at \$1.170 million in 2012 as outlined in Recommendation 4.

New Fees

Design and Construction (Linear Infrastructure) Costs on Behalf of Third Parties

- In its report on the Technical Services Leaside Bridge Structure Rehabilitation Contract No 05FS–30S, the City Auditor General recommended that the Deputy City Manager and Chief Financial Officer consider the implementation of a policy for the recovery of administration fees relating to the management of contracts by the City on behalf of third parties, and that such a policy be included in the Technical Services Capital Works Projects Procurement and Administration Procedures Manual. The third parties include, but are not limited to TTC, City divisions other than Transportation Services and Toronto Water, other City Agencies, BIAs, utility companies, and provincial and federal government agencies.
- The fee of 13.5% of construction costs is currently charged for design and construction work on TTC projects, but Technical Services does not have a policy in place to recover costs incurred for work performed for engineering services on contracts on behalf of other third parties. As a result, costs are not equitably and consistently recovered. Technical Services had estimated the fee at 18.3% for construction costs incurred on behalf of third parties in 2012.
- The intent of this fee is to establish a fair distribution of costs, since most of the third party costs are borne by the two major City Programs, Transportation Services and Toronto Water. There may be also a potential for additional revenue from outside clients such as Toronto Hydro. However, the impact that introduction of this fee could have on other City programs budgets could not be determined without further analysis. For example, a fee increase from 13.5% to 18.3% would represent an additional pressure for the TTC's 2012 Operating Budget.
- Currently no further fee increases are recommended for Technical Services. As a part of the corporate user fee report going forward to the Executive Committee to be considered with the 2012 Operating Budget, this fee is recommended for a further more comprehensive review during 2012 to assess its viability and impacts.

Part V: ISSUES FOR DISCUSSION

2012 and Future Year Issues

2012 Issues

2011 Capital Program Delivery/Major Third Party Work

In 2011, Technical Services continued to experience difficulties in hiring skilled professional and technical staff due to the competitive market conditions in the Greater Toronto Area. Various strategies which were developed in consultation with Human Resources over the past several years, including the implementation of an Internship Program (EIP) to ensure medium and long term succession planning, will assist Technical Services to restore service levels based on a full complement.

The value of Technical Services major clients' capital program increased almost fourfold over the past decade and it is characterized by frequent workload peaks which are difficult to accommodate even at a full staff complement. In order to meet capital delivery requirements, Technical Services makes extensive use of externally contracted professional services. The same strategy is recommended to address the anticipated increase in the third party engineering review and site inspection work related to Transit Expansion projects in 2012 (and beyond). Outside professional services will be contracted, at an estimated cost of \$1.170 million, to assist in workload peaks, subject to securing the funding as outlined in Recommendation 4.

Future Year Issues

Capital Cost Recoveries

In 2011, about 82% of the Program's gross operating budget was funded through recoveries from its clients' capital projects that include Transportation Services (including TTC projects), Toronto Water, Solid Waste Management Services and Union Station (NW Path). Over the past several years Technical Services has been realigning its core services in order to ensure that costs are properly charged and directly linked to specific asset betterment projects. Technical Services will reassess its capital recovery model, once this realignment process is completed.

As the issue of eligible 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 2012. It is anticipated that this revised policy (still in a draft stage) will provide a basis for addressing various aspects of capital program/project delivery and provide appropriate cost recovery models for 2013 and beyond.

Issues Referred to the 2012 Operating Budget Process

Core Service Review

At its meeting of September 26 and 27, 2011 City Council approved the report 'Core Service Review – Final Report to Executive Committee' from the City Manager. The City Manager was directed to review efficiency related opportunities for various program areas to determine whether and in what manner implementation is appropriate through the 2012, 2013 and 2014 Operating Budgets.

The following reviews were recommended for Technical Services:

- Consider developing and implementing service level standards where they do not exist for Infrastructure Design and Construction.
- Consider further use of third party vendors for job contracting as well as alternative delivery models such as program management through external consultants for Infrastructure Design and Construction.
- Consider third party support for mapping or surveying.
- Consider process improvements to achieve standard levels for land surveys and mapping.
- Consider process improvements to achieve standard levels for engineering review and approval.
- Consider developing or implementing service level standards for engineering policy standards and support.

Over the past several years, Technical Services has been realigning its core services in order to provide greater focus on capital delivery and to allow for higher efficiencies. This includes the development of standards for various services and greater use of contracted services. Also, the 2012 Recommended Operating Budget recommends the use of outside contractors to address an increased volume of Transit Expansion projects.

The Executive Director of Technical Services will further review these recommendations in time for the 2013 Operating Budget process to determine additional opportunities for efficiencies and process optimization.

User Fee Policy

At its meeting of September 26 and 27, 2011, City Council adopted the User Fee Policy that granted authority to the Deputy City Manager and Chief Financial Officer to annually determine the automatic inflationary adjustment to be applied to each user fee for which Council has approved an automatic inflationary adjustment. The following inflationary factors are determined for Technical Services' fees in 2012:

- An inflationary factor of 2.16% for the two fees already subject to automatic inflationary increases related to municipal numbering of properties and numbering address changes.
- An inflationary factor of 2.21% for the review of development files and environmental data base to provide a response to lawyer's inquires. It is also recommended that this fee, which was not increased since its introduction, be subject to automatic annual inflationary increases starting in 2012.

The above user fee changes will be recommended as a part of the corporate user fee report going forward to the Executive Committee to be considered with the 2012 Operating Budget.

Appendix 1

2011 Performance

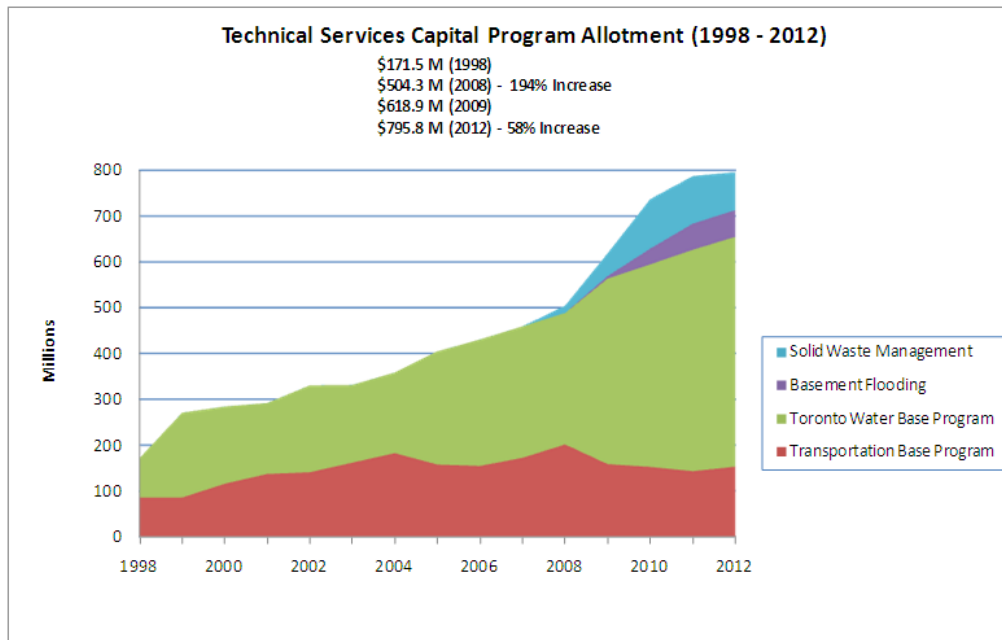
2011 Key Accomplishments:

In 2011, Technical Services' accomplishments included the following:

- ✓ Delivered 75.4 % of its Capital Work Program valued at \$517.0 million.
- ✓ Reviewed 70% of development applications within STAR timelines.
- ✓ Reduced the vacancy rate of engineering staff complement from 20% to 13%.
- ✓ Obtained the approval to establish a Joint Health and Safety Committee for outside workers.
- ✓ Consolidated the Utility Review Unit and streamlined processes to clear backlog of applications, reduce turnaround times, increase throughput and improve relationships with internal and external clients.
- ✓ Developed planning and programming business processes and began implementation of 5-Year Capital Program, including a coordinated 2013 Program.
- ✓ Developed a cost recovery model for third party engineering review of Transit Expansion and Toronto York Spadina Subway Extension projects.

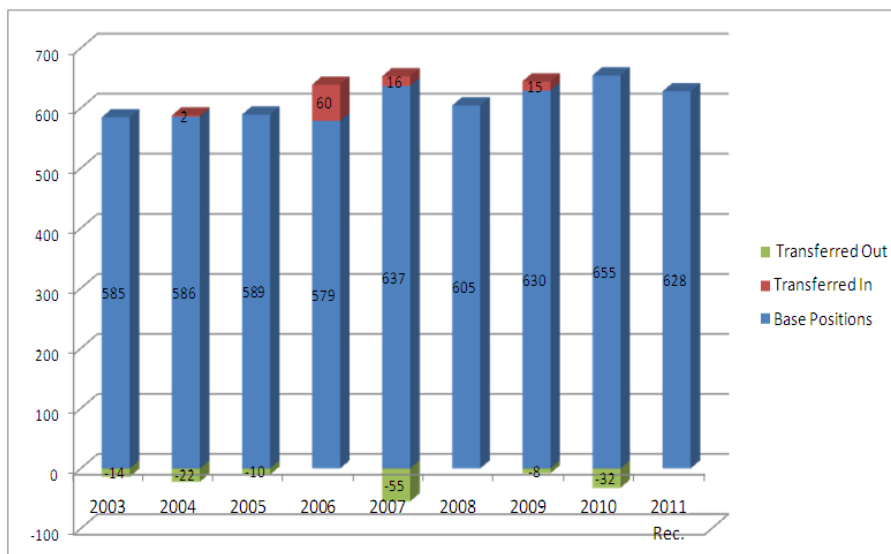
2011 Performance

Comparison of Technical Services Staff Cost to Client's Capital Program Allotments



- The above chart shows substantial growth in the clients' capital programs since 1998, that will continue in 2012 (from 0.171 million to \$0.795 million), especially in key areas including the Toronto Water Base Program expansion and new programs such as Basement Flooding and Solid Waste Capital Program.

Staffing Trend – Approved Positions (2003–2011)



- While there has been a fourfold increase in the value of major clients' capital programs since 1999 (\$200 million in 1999, compared to \$800 million in 2010), staffing levels

have remained relatively stable due to expanded use of external engineering services in the delivery of the capital works program. Continued growth in the use of external engineering services will be necessary to achieve targeted 90% completion rate.

- Ontario Municipal Benchmarking Initiative (OMBI) does not provide any performance indicators that could be used as a comparative benchmark to other municipalities.

2011 Budget Variance Analysis

2011 Budget Variance Review (In \$000s)

(In \$000s)	2009 Actuals	2010 Actuals	2011 Approved Budget	2011 Projected Actuals*	2011 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	\$	%
GROSS EXP.	55,929.3	58,386.6	67,971.5	60,271.5	(7,700.0)	(11.3)
REVENUES	47,462.6	48,028.4	57,471.1	49,800.1	(7,671.0)	(13.3)
NET EXP.	8,466.6	10,358.3	10,500.5	10,471.4	(29.1)	(0.3)
Approved Positions	576.6	527.0	627.1	538.1	(89.0)	(14.2)

* Based on the Third Quarter Operating Budget Variance Report.

2011 Experience

- The Third Quarter Variance report for Technical Services projects that the Program will be \$0.029 million or 0.3% below the 2011 Approved Operating Budget of \$10.501 million net by year-end.
- The projected small favourable year-end variance is mainly due to savings from unfilled vacancies, resulting in lower recoveries from work on capital projects. These vacancies are largely reflective of the competitive labour market conditions in the Greater Toronto Area for skilled professional and technical staff. Although a significant number of vacancies have been filled recently, there are still approximately 89 permanent position vacancies. The gaping budget of \$2.748 million or 4.4% is accommodated within the salary existing budget.

Impact of 2011 Operating Variance on the 2012 Recommended Budget

- This favorable variance is not anticipated to carry into 2012, as the Program continues with the implementation of its recruitment strategy and filling of vacancies.

Appendix 2

2012 Recommended Operating Budget by Expenditure Category and Key Cost Drivers

Program Summary by Expenditure Category
(In \$000s)

Category of Expense	2009 Actual	2010 Actual	2011 Budget	2011 Projected Actual	2012 Recommended Budget	2012 Change from 2011 Approved Budget		2013 Outlook	2014 Outlook
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	50,259.0	51,518.8	60,050.8	53,123.9	61,390.7	1,340.0	2.2%	62,358.5	62,711.4
Materials and Supplies	252.4	295.8	456.3	386.3	455.6	(0.7)	(0.2%)	455.6	455.6
Equipment	171.1	156.8	295.1	290.1	278.3	(16.8)	(5.7%)	278.3	278.3
Services & Rents	2,235.1	3,009.5	3,084.8	2,384.8	3,715.8	631.0	20.5%	3,715.8	3,715.8
Contributions to Capital						0.0	n/a	0.0	0.0
Contributions to Reserve/Res Funds	672.7	656.7	752.6	752.7	759.7	7.1	0.9%	759.7	759.7
Other Expenditures	(28.6)	(0.9)	0.2	2.0	0.2	0.0	2.0%	0.2	0.2
Interdivisional Charges	2,367.7	2,749.9	3,331.7	3,331.7	3,410.4	78.7	2.4%	3,410.4	3,410.4
Required Adjustments									
TOTAL GROSS EXPENDITURES	55,929.3	58,386.6	67,971.5	60,271.5	70,010.8	2,039.3	3.0%	70,978.6	71,331.5
Interdivisional Recoveries	19.8	7.9							
Provincial Subsidies									
Federal Subsidies		65.4							
Other Subsidies									
User Fees & Donations	2,254.2	2,478.1	5,666.4	2,666.4	5,920.5	254.1	4.5%	5,920.5	5,920.5
Transfers from Capital Fund	39,459.1	42,304.2	49,299.8	45,128.8	49,655.3	355.6	0.7%	50,430.6	50,695.3
Contribution from Reserve Funds									
Contribution from Reserve									
Sundry Revenues	5,729.5	3,172.8	2,504.9	2,004.9	4,944.2	2,439.3	97.4%	4,944.2	4,944.2
Required Adjustments									
TOTAL REVENUE	47,462.6	48,028.4	57,471.1	49,800.1	60,520.0	3,048.9	5.3%	61,295.3	61,560.0
TOTAL NET EXPENDITURES	8,466.6	10,358.3	10,500.4	10,471.4	9,490.8	(1,009.6)	(2.3%)	9,683.3	9,771.5
APPROVED POSITIONS	576.6	527.0	627.1	538.1	627.1	0.0	0.0%	627.1	627.1

2012 Key Cost Drivers

- Salaries and benefits are the largest expenditure category and account for almost 88% of total expenditures, followed by interdepartmental charges (IDCs) and services and rents at 5% each, materials and supplies at 1% and equipment at 0.5%.
- The 2012 Recommended Budget for *salaries and benefits* is \$61.391 million. This is an increase of \$1.340 million or 2% compared to the 2011 approved budget of \$60.051 million.

- The key cost drivers include progression pay and step increases for eligible non-union and union positions (\$0.602 million), an increase to fund the 1% premium rate change for OMERS contributions (\$0.583 million), one additional work day in 2012 (\$0.234 million) and annualized staffing cost impact for 6 Transit Expansion positions approved in 2011 (\$0.130 million). These costs are partially offset through recoveries from clients' capital projects, resulting in a total net pressure of \$0.336 million.
- Over the last several years Technical Services has been experiencing difficulties in hiring skilled professional and technical staff, resulting in lower actual spending in 2008, 2009 and 2010.
- The 2012 recommended budget for *materials and supplies* of \$0.456 million is in line with the 2011 approved budget of \$0.456 million. Savings of \$0.006 million which were identified based on a review of actual expenditures, enabled the Program to offset additional pressures related to an increased volume of full stream utility applications projected for 2012.
- The 2012 recommended budget for *equipment* of \$0.278 million is \$0.017 million or 6% below the 2011 approved budget. This was achieved by realigning the budget with prior year actual spending.
- The 2012 recommended budget for *services and rents* of \$3.716 million is \$0.631 million or 20% higher than the 2011 approved budget.
 - It reflects cost increases for some multi-year contracts (\$0.043 million), additional costs resulting from a need to process increased number of full stream utility applications in 2012 (\$0.115 million), and anticipated contracting of professional services for third party engineering and inspection work, a new enhanced services priority action recommended to handle peak work periods in this area (\$1.170 million).
 - A detailed review of actual spending enabled the Program to find savings in the amount of \$0.656 million and partially offset the pressures outlined above.
- The 2012 recommended budget for *interdivisional charges* is \$0.079 million or 2% higher than the 2011 budget, mainly due to increased cost for support provided by Legal, Information and Technology (IT) and Human Resources (HR) services.
- About 82% of the Program's gross operating budget is funded through recoveries from its clients' capital projects. In 2012, capital recoveries are budgeted at the same percentage level as in 2011. The issue of capital recoveries will be considered corporately in accordance with Generally Accepted Accounting Principles (GAAP), Public Sector Accounting Board (PSAB) requirements and Government Finance Officers

Association (GFOA) best practices and therefore, no further increases are recommended for 2012.

- Another 10% of the gross operating budget is funded from user fees. The 2012 recommended revenue budget of \$5.920 million reflects an increase of \$0.254 million or 4% that will be realized from the engineering review and site inspection work completed in 2012.
- The remaining 8% or \$4.944 million are other revenues generated from the review of full stream utility cut permit fees and the TTC design and construction work. The 2012 revenues from these sources are \$2.431 million or 97% higher than the 2011 approved budget, mostly due to projected increases in volume of full stream utility applications (\$1.100 million) and third party engineering review and site inspection work on Transit Expansion projects (\$1.170 million).

Appendix 4

Summary of 2012 Recommended New/Enhanced Service Priority Actions



2012 Operating Budget - Recommended New and Enhanced Services Summary of Administrative Review

TYPE	PRIORITY	CITIZEN FOCUSED SERVICES "B" Technical Services	Recommended Adjustments				2013 Net Incremental Outlook (\$000s)	2014 Net Incremental Outlook (\$000s)
			Change in Gross Expenditure (\$000s)	Change in Revenue (\$000s)	Net Change (\$000s)	Change in Approved Positions		
N2	1	Major Third Party Work on City Right-of-Way) Service / Activity: Portfolio Management & Support / N/A Description: Third party projects that include Toronto-York Spadina Subway and Transit Expansion projects are major City initiatives that are currently advancing to the implementation phase. A review of these projects is required when they involve work in the City right-of-way, to ensure that City infrastructure is protected and City services are maintained. As a result, there has been an increase in work load volume that cannot be supported by the current staffing levels. A further significant increase is anticipated in 2012 and the workload will be sustained at this increased levels at least until 2015. Consequently, the City's ability to respond to third party projects in a timely manner will be very limited. Recognizing that these projects have tight timelines, it is recommended that contracted professional services are sought to assist in workload peaks for engineering review and site inspection of third party work. Estimated costs of these professional services are \$1.170 million gross. It is anticipated that all costs will be fully recoverable from clients . Contracted professional services will be aquired through a competitive process, by issuing a Request for Proposals (RFP) in 2012, with an option to extend for 2 additional years, subject to budget approval in these future years. This new priority action is conditional upon securing the funding from Metrolinx. Service Level Change: Currently, the City provides a base level of support in the review of third party work. This base level includes staff complement that currently work overtime (average of 5-8 hours overtime per week) to support the workload that is steadily increasing. Contracted professional services will support workload volume peaks for engineering review of third party work, and provide a front line site support to third party projects to meet tight project delivery timelines, including timely review and issue resolution to mitigate project delays. ADMIN: Recommended.	1,170.0	1,170.0	0.0	0.0	0.0	0.0
Total Recommended New/Enhanced:			1,170.0	1,170.0	0.0	0.0	0.0	0.0

Category Legend - Type

- N1 - Enhanced Services - Operating Impact of 2010 Capital
- N2 - Enhanced Services - Service Expansion
- N3 - New Service - Operating Impact of 2010 Capital
- N4 - New Services
- N5 - New Revenues

Appendix 5

Inflows/Outflows to/from Reserves & Reserve Funds

Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of December 31, 2011 *	Proposed Withdrawals (-) / Contributions		
			2012	2013	2014
		\$	\$	\$	\$
Vehicle Equipment Reserve	XQ1016	318.7	303.0	303.0	303.0
Insurance Reserve Fund	XR1010	31,346.4	456.8	456.8	456.8
Total Reserve / Reserve Fund Draws / Contributions			759.8	759.8	759.8

* Based on 3rd Quarter Variance Report