

Analyst Briefing Notes

Budget Committee

(February 10, 2009)

PART I: 2009 OPERATING BUDGET

Executive Summary	2
Recommendations.....	6

PART II: 3-YEAR SERVICE OVERVIEW AND PLAN

Service Challenges and Opportunities	8
Service Objectives	10
Priority Actions.....	10

PART III: 2008 BUDGET VARIANCE ANALYSIS

2008 Experience	13
Impact of 2008 Operating Variance on the 2009 Recommended Budget	14

PART IV: 2009 RECOMMENDED BASE BUDGET

2009 Recommended Base Budget	15
2009 Key Cost Drivers and Reduction Strategies.....	16

PART V: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS

2009 Recommended New/Enhanced Service Priority Actions.....	17
-------------------------------------------------------------	----

PART VI: ISSUES FOR DISCUSSION

2009 Budget Issues	23
Issues Referred to the 2009 Budget Process	N/A

Appendix A: 2009 Recommended Base Budget Changes vs. 2008 Approved Budget	24
----------------------------------------------------------------------------------------	----

Appendix B: Summary of Service Level Adjustments.....	N/A
--------------------------------------------------------------	-----

Appendix C: Summary of 2009 Recommended New/Enhanced Service Priority Actions.....	25
-------------------------------------------------------------------------------------------	----

Appendix D: Program Summary by Expenditure Category	26
------------------------------------------------------------------	----

Appendix E: Inflows/Outflows to/from Reserves and Reserve Funds.....	27
-----------------------------------------------------------------------------	----

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

Robert Flesch
 Senior Financial Planning Analyst
 Tel: (416) 397-4297

Executive Summary

- 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. The Program delivers five services which include: (1) land surveys and mapping, (2) municipal infrastructure design and construction, (3) engineering policies, standards and support, (4) engineering review and approval and (5) emergency management.
- The key challenges and opportunities for Technical Services over the next three years include:
 - Balancing a range of emerging Mayoral and/or Council priorities, such as the Basement Flooding Remediation Work Plan, Green Roof Pilot Project, Wet Weather Flow Master Plan, improvements to transfer stations for Solid Waste Management Services, Pandemic Planning, City of Toronto Emergency Plan, addressing the state of good repair backlog for the Toronto Transit Commission, Union Station Revitalization, Toronto Waterfront Redevelopment, the Clean and Beautiful City Initiative and Toronto Transit City Light Rail Plan.
 - Importance of emergency management has risen dramatically in the post-September 11 and post-SARS time period for both the public and private sectors. Requests to develop and conduct emergency response exercises have grown putting added pressure on the Office of Emergency Management's limited resources.
 - Shortage of qualified professional and technical staff in the labour market creates recruitment and retention challenges for the Program.
 - Frequent changes in Federal, Provincial and Municipal legislation, codes, policy and regulatory approval requirements for municipal infrastructure create challenges for project planning and management resulting in potential delays during implementation.
- Technical Services has established the following key service objectives over the next three years to address the challenges and opportunities outlined above:
 - Improve the current capital works program completion rate from 70% to 90%.
 - Strengthen corporate emergency preparedness and response capacity across the City's Programs, Agencies, Boards and Commissions.
 - Advance the Climate Change Adaptation, Clean Air and Sustainable Energy Action Plan by providing expertise in the design, construction, contract administration and management for City projects.
 - Develop human resources strategies aimed at recruiting skilled professional and technical staff, establish training programs and implement succession planning.

- The 2009 Recommended Operating Budget provides new funding for a variety of programs and activities which address Technical Services' challenges, opportunities and key objectives.
 - **Operational Requirements to Improve Capital Works Program Completion:** The 2009 Recommended Operating Budget provides new funding of \$1.917 million gross for 23 positions. The additional resources are aimed at improving the capital works program completion rate through earlier delivery of designs and the award of tenders.
 - **Implementing the Toronto Public Service People Plan (2008-2011):** The increase of two Engineers in Training will support the Engineering Internship Program and implementation of the City's People Plan. The resources will form part of an integrated recruitment strategy to acquire highly qualified employees directly from university. This priority action requires funding of \$0.089 million gross in 2009.
 - **Response to the City Manager Office's Review of Emergency Management:** Funding of \$0.232 million gross is provided in the 2009 Recommended Operating Budget in response to the City Manger Office's review of emergency management. Recommended changes to the 2009 complement for the Office of Emergency Management include a Director of Emergency Management, Administrative Assistant and Emergency Management Manager. Incremental funding for Phase II in 2010 will be \$0.689 million gross for three additional staff, including two Emergency Management Coordinators and one Clerk.
- For 2008, Technical Services is projecting a year-end net expenditure of \$16.548 million, which is \$0.550 million or 3.4% over the 2008 Operating Budget of \$15.999 million.
 - Year-end expenditures are projected to be under budget by \$0.450 million or 0.7% compared to the 2008 Approved Operating Budget of \$60.135 million, reflecting in large part, salary savings from vacant positions.
 - Technical Services is forecasting that year-end revenue will not be achieved and will be approximately \$1.000 million or 2.3% below the 2008 Approved Operating Budget of \$44.137 million. The unfavourable variance reflects the under-recovery of revenues from City programs for design and engineering work due to lower than anticipated capital works completion.

Table 1: 2009 Recommended Budget

(In \$000s)	2008		2009 Recomm'd Operating Budget			Change - 2009 Recommended Operating Budget v. 2008 Appvd. Budget		FY Incremental Outlook	
	2008 Appvd. Budget	2008 Projected Actuals	2009 Base	2009 New/ Enhanced	2009 Operating Budget			2010	2011
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	60,135.2	59,685.0	61,892.1	2,238.4	64,130.5	3,995.3	6.6	2,300.0	332.2
REVENUE	44,136.7	43,136.7	47,570.8	1,577.7	49,148.5	5,011.8	11.4	1,245.5	0.0
NET EXP.	15,998.5	16,548.3	14,321.3	660.7	14,982.0	1,016.5	6.4	1,054.5	332.2
Approved Positions	604.6	574.6	604.6	28.0	632.6	28.0	4.6	3.0	0.0
TARGET			15,678.5		15,678.5				
\$ Over / (Under) Program Target			(1,357.2)		(696.5)				
% Over / (Under) Program Target			-8.7%		-4.4%				

- The 2009 Recommended Operating Budget for Technical Services, including funding for enhanced priority actions, is \$14.982 million net and is \$0.697 million or 4.4% below the 2009 target of \$15.679 million net which is 2% below the 2008 Approved Operating Budget of \$16.548 million net.
- The 2009 Recommended Operating Budget for Technical Services is comprised of base funding of \$61.892 million gross and \$14.321 million net and funding for enhanced priority actions of \$2.238 million gross and \$0.661 million net. Approval of the 2009 Recommended Operating Budget will result in the Program's complement increasing by 4.6% or 28 positions from 604.6 to 632.6 positions.
 - The 2010 Outlook anticipates a net increase of \$1.055 million in operating costs which include merit and step adjustments, addition of one work day and the full year impact of 2009 recommended enhanced priority actions.
 - The 2010 incremental funding for Phase II of the Office of Emergency Management is \$0.689 million gross and net and includes the addition of three positions to the permanent complement.
 - The 2011 Outlook includes an increase of \$0.332 million net for step and merit adjustments.
- The 2009 Recommended Base Budget funds the Program's key cost drivers including the annualization of 2008 cost of living adjustments for union employees (COLA), merit and step increases and other non-discretionary expenditures that total \$1.757 million gross. The additional cost pressures are partially defrayed by the following:
 - Reduction of one work day in 2009 of \$0.210 million gross and \$0.065 million net.
 - Reduction in salaries to maintain the 2008 gapping level of 4.4% of \$0.078 million gross and \$0.024 million net.
 - Elimination of interdivisional charges budget from the Office of Emergency Management in the amount of \$0.396 million gross and net. The elimination of interdivisional recoveries from City programs, which includes Emergency Management Services, Toronto Fire Services and the Toronto Police Service, supports the City Manger Office's review of the emergency management to increase overall efficiencies in service delivery.
 - Operating cost reduction from various activities of \$0.872 million gross and \$0.602 million net, which include contracted services, minor computer/general equipment, presentation material, other professional and technical services and labour costs for the 311 Program.
- The 2009 Recommended Operating Budget provides base and new funding of \$6.534 million gross for a broad range of priority actions that advance the Mayor's Mandate and Council's policy agenda. These include the following:
 - **Climate Change Adaptation, Clean Air and Sustainable Energy Action Plan:** The Program's 2009 Recommended Operating Budget provides \$1.231 million gross in new funding for the design, construction, contract administration and management of municipal infrastructure projects and activities which partially address the Action Plan.

- **Making a Safe City Safer:** The 2009 Recommended Operating Budget provides base funding of \$4.295 million gross for ensuring a coordinated response to and recovery from major natural and man-made emergencies. In addition, the 2009 Recommended Operating Budget provides new funding of \$0.232 million for implementation of the recommendations outlined in the City Manager Office's review of emergency management.
- **Implementing the Toronto Public Service People Plan (2008-2011):** The 2009 Recommended Operating Budget provides new funding of \$0.089 million gross for implementation of the City's People Plan by hiring two new Engineers as part of the Engineering Internship Program.
- **Union Station Revitalization:** City Council at its meeting of December 1, 2 and 3, 2008, approved continuation of the design for revitalization of Union Station and the Northwest PATH connection. The purpose of this new PATH connection is to relieve existing pedestrian congestion, support Union Station revitalization and future downtown growth and accommodate pedestrian activities generated by GO Transit's service expansion over the next 20 years. The 2009 Recommended Operating Budget includes funding of \$0.258 million gross for two Senior Engineer and one Project Manager positions to assist with the planning, engineering and management of the Northwest PATH connection project. Funding will be recovered from the Union Station 2009 Approved Capital Budget.
- **Major Capital Infrastructure Coordination Unit:** On February 21, 2008, the Mayor's Fiscal Review Panel recommended in their report "A Blueprint for Fiscal Stability and Economic Prosperity – A Call to Action", the need to create a new high-level infrastructure unit for the City's Programs, Agencies, Boards and Commissions. In response to the report, Technical Services' 2009 Recommended Operating Budget provides interdivisional funding of \$0.429 million to the Policy, Planning, Finance and Administration Program to fund four temporary positions for finalization of the Unit.
- Technical Services' 2009 Recommended Operating Budget will fund:
 - Establishing training and development initiatives to refresh and expand the Program's professional and technical workforce.
 - Continuing the mapping of underground utilities throughout various parts of the City.
 - Coordinating emergency management operations 24 hours a day, 7 days a week, while ensuring legislated and regulated compliance with the Emergency Management Act.
 - Continuing engineering design and project management for the Northwest PATH connection to relieve existing pedestrian congestion, support Union Station revitalization and future downtown growth and accommodate pedestrian activities generated by GO Transit's service expansion over the next 20 years.
 - Improving the current capital program completion rate of 70% for the renewal, replacement and expansion of the City's capital works program, such as transit, roads, sewers, watermains, facilities and structures.

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

1. Council approve the 2009 Recommended Operating Budget for Technical Services of \$64.131 million gross and \$14.982 million net, comprised of the following services:

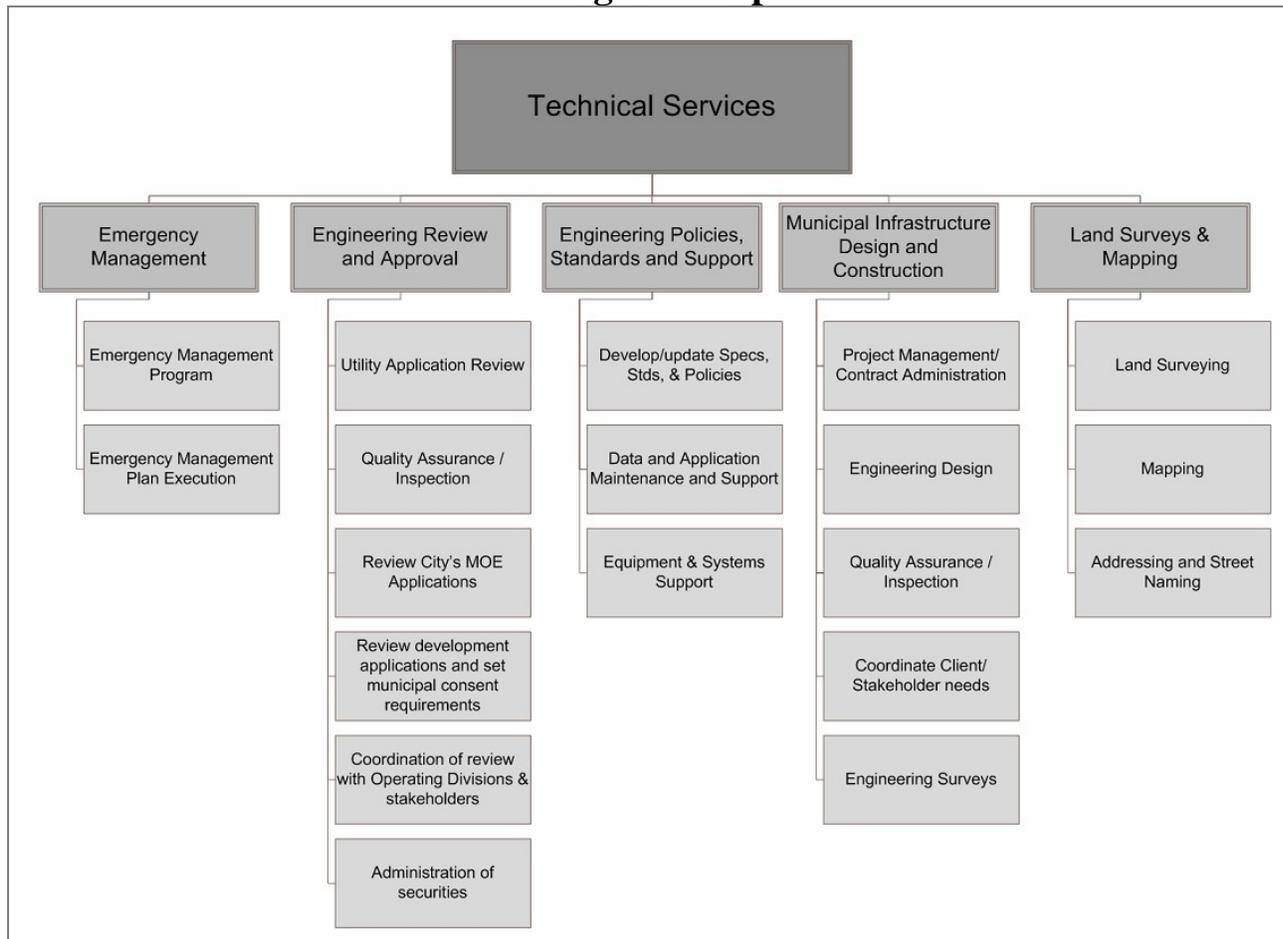
<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Office of Emergency Management	4,527.4	2,105.7
Survey and Mapping	21,811.8	3,724.9
Development Engineering	5,878.2	4,892.2
Facilities and Structures	8,826.6	1,441.2
District Engineering	21,962.1	2,190.9
Program Administration	<u>1,124.3</u>	<u>627.1</u>
Total Program Budget	<u>64,130.5</u>	<u>14,982.0</u>

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. In addition, the Program coordinates emergency planning and response across the City's Agencies, Boards, Commissions and Programs.

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

1. **Land Surveys & Mapping:** Relevant, timely and cost-effective professional surveying and mapping products and support. Mapping products, street naming and municipal numbering are available to the public on a cost recovery basis.
2. **Municipal Infrastructure Design & Construction:** Engineering expertise for the renewal, replacement and expansion of the City's capital works program, such as transit, roads, sewers, watermains, facilities and structures.
3. **Engineering Policies, Standards & Support:** Consistent, current and standardized tools to support the design, construction, operation and maintenance of City infrastructure.
4. **Engineering Review & Approval:** One-window service for engineering review of development proposals, including the coordinated inspection of all development activities.
5. **Emergency Management:** Coordination of emergency and disaster activities through the City's Office of Emergency Management.

Program Map



Service Challenges and Opportunities

The Program delivers services within a highly complex set of challenges and opportunities, reflecting in large part, the broad nature of services provided which range from the provision of land surveying and mapping for private and public sector clients, municipal infrastructure design and construction, to the coordination of emergency management planning and response across the City. The following section summarizes Technical Service’s key service challenges and opportunities over the next three years.

Mayor/Council’s Policy Agenda

Technical Services experiences challenges in balancing a range of competing and emerging Mayoral and/or Council priorities, such as the Lead Water Service Connection Replacement Program, Basement Flooding Remediation Work Plan, Green Roof Pilot Project, Wet Weather Flow Master Plan, improvements to transfer stations for Solid Waste Management Services, Pandemic Planning, City of Toronto Emergency Plan, Toronto Waterfront Redevelopment, the Clean and Beautiful City Initiative, addressing the state of good repair backlog for the Toronto Transit Commission and Toronto Transit City Light Rail Plan. Planning and ranking changing priorities will continue to

assist the Program in ensuring that resources are allocated consistently with core service delivery responsibilities.

Service Demands

Capital Works Program: The projected volume increase of maintenance and construction activities by private utilities, Transportation Services, Toronto Water and the Toronto Transit Commission will have a significant impact on Technical Services planning and delivery of services. To highlight the future increase in service demands, from 2009 and 2018 the cumulative capital works programs for Toronto Water and Transportation Services is estimated at \$10.104 billion. On average, 70% of the Citizen Centred Services Cluster B's capital budget is delivered by Technical Services.

Emergency Management Preparedness: Demand for emergency management preparedness has increased dramatically in the post-September 11 and post-SARS time period from both the public and private sectors. In particular, requests to develop and conduct emergency response exercises have steadily increased. Catastrophic failures, such as the Finch Avenue Road collapse due to severe flooding in August 2005, divert resources and impact the Program's capital works completion rates. Climate change is expected to increase the frequency of such events in the future, putting added pressure on resources. The provision of emergency management services is vital to the health and economic well being of the City and must be provided 24 hours a day, 7 days a week.

Human Resources

The shortage of qualified professional and technical staff in the labour market creates recruitment challenges for the Program, resulting in a high vacancy rate, currently estimated at 30 full-time positions. The Province's aging workforce is stretching the capacity of both internal resources and external engineering and construction companies to meet the higher levels of demand required for the City's capital works program.

Legislative Changes

Frequent changes in Federal, Provincial and Municipal legislation, codes, policy and regulatory approval requirements create challenges in terms of project planning and management and can create delays during implementation. The following summarizes the key new and emerging legislative changes:

- Occupational Health and Safety Act legislation for asbestos and confined space entry work has recently been revised.
- There are anticipated changes to the City's site plan and building permit approval process. The current site plan standards and requirements vary amongst the City's pre-amalgamated municipal boundaries.
- Toronto Hydro Electrical System Limited and Electrical Safety Authority continually change standards for design and construction activities.
- The Province is introducing legislation in 2009 that will define a new datum for plans registered in the Land Registry Office. This will require the conversion of numerous spatial data sets and computer drafting files.

Service Objectives

The objectives for Technical Services address the challenges and opportunities outlined above, and primarily reflect the Program's strong commitment to providing services which meet or exceed client expectations. The following section outlines the key service objectives over the next 3 years:

1. Improving the capital works program completion rate from the current level of 70% to 90% by:
 - Implementing a five year planning and construction cycle to improve internal capacity for delivering the growing capital works program and satisfy the projected rate of infrastructure renewal needs.
2. Strengthening enterprise-wide emergency coordination across all City Programs, Agencies, Boards and Commissions through:
 - Ensuring legislated and regulated compliance with the Emergency Management Act.
 - Responding to the recommendations outlined in the City Manager Office's review of emergency management undertaken in 2008.
3. 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, CO₂ emissions, water demand and other negative impacts to the environment.
4. Developing and implementing human resource strategies aimed at:
 - Recruiting qualified professional and technical staff.
 - Establishing training programs to refresh and expand the workforce.
 - Implementing Program wide succession planning.

Priority Actions

The 2009 Recommended Operating Budget includes base and new funding of \$6.534 million gross for a broad range of programs and activities that advance the Mayor's Mandate and/or Council's policy agenda. These include the following:

- *Climate Change Adaptation, Clean Air and Sustainable Energy Action Plan*

The Program provides support to Transportation Services, Solid Waste Management Services and Toronto Water capital works programs that advance the Climate Change Adaptation, Clean Air and Sustainable Energy Action Plan. Selected examples include the implementation of the Bike Plan, Lead Water Service Connection Replacement Program, Basement Flooding Remediation Work Plan and Green Roof Pilot Project. The 2009 Recommended Operating Budget provides new funding of \$1.231 million gross for the provision of engineering expertise in the design and management of municipal infrastructure projects which partially address the Action Plan.

- ***Making a Safe City Safer***

The 2009 Recommended Operating Budget incorporates base funding of \$4.295 million gross for ensuring a coordinated response to and recovery from major natural and man-made emergencies. The Office of Emergency Management is responsible for developing programs and plans to prevent disasters and reducing the vulnerability of residents to any disaster that cannot be prevented. The Office works closely with Emergency Medical Services, Toronto Fire Services, Toronto Police Service, Toronto Public Health and Shelter, Support and Housing to manage emergency situations. Base budget funding also ensures legislative and regulatory compliance with the Emergency Management Act.

The City Manager Office's review of emergency management in 2008 made several recommendations for strengthening the preparedness, response and recovery capabilities of the Office of Emergency Management. The 2009 Recommended Operating Budget provides new funding of \$0.232 million gross to address the recommendations outlined in the review. Funding in 2009 will be used to hire a Director of Emergency Management, one Administrative Assistant and one Emergency Management Manager. The 2010 incremental funding for Phase II is \$0.689 million, and includes plans to hire two Emergency Management Coordinators and one Clerk.

- ***Implementing the Toronto Public Service People Plan (2008-2011)***

The Mayor has identified the Toronto Public Service People Plan (2008-2011) as a budget priority for 2009. The Plan is based on the People Strategy adopted by Council in 2003, and fact-based evidence and research into significant demographic challenges the City will face, along with many other employers, over the next few years. To anticipate and meet these challenges, the Plan sets out five goals, which include: (1) developing a learning organization, (2) ensuring a safe and healthy workplace, (3) attracting and retaining a skilled, high performing and diverse workforce, (4) strong and effective leadership and (5) building a positive workplace culture.

The creation of two Engineers in Training positions will support the Engineering Internship Program and commence implementation of the City's People Plan. The Program has experienced difficulty recruiting engineers and the Internship Program will form part of a recruitment strategy to acquire highly qualified employees directly from university. Funding of \$0.089 million gross is provided in the 2009 Recommended Operating Budget for this priority action.

- ***Union Station Revitalization***

City Council at its meeting of December 1, 2 and 3, 2008, approved continuation of the design for revitalization of Union Station and the Northwest PATH connection. The purpose of this new PATH connection is to relieve existing pedestrian congestion, support Union Station revitalization and future downtown growth and accommodate pedestrian activities generated by GO Transit's service expansion over the next 20 years. The 2009 Recommended Operating Budget includes funding of \$0.258 million gross for two Senior Engineer and one Project Manager positions to assist with the planning, engineering and management of the Northwest PATH connection project. Funding will be recovered from the Union Station 2009 Approved Capital Budget.

- ***Major Capital Infrastructure Coordination Unit***

On February 21, 2008, the Mayor's Fiscal Review Panel recommended in their report "A Blueprint for Fiscal Stability and Economic Prosperity – A Call to Action", the need to create a new high-level infrastructure unit for the City's Programs, Agencies, Boards and Commissions, where possible. In response to the report, Technical Services' 2009 Recommended Operating Budget provides interdivisional funding of \$0.429 million gross and net to the Policy, Planning, Finance and Administration Program to fund four temporary positions for finalization of the Unit. It is anticipated in 2010 that one additional temporary position will be added to the complement at a cost of \$0.101 million gross and net.

The mandate of the Major Capital Infrastructure Coordination Unit is to develop: (1) a framework for coordination of major capital projects with multiple program impacts, (2) consolidated five year and ten year infrastructure plan, (3) coordination procedures that will facilitate ongoing implementation of major capital projects between City divisions and the Toronto Transit Commission for work in the right-of-way, (4) protocols and strategies related to major capital infrastructure completion and (5) high level performance measurements, benchmarking and monitoring of the City's capital infrastructure program.

Table 2: 2008 Budget Variance Review

(In \$000s)	2007 Actuals	2008 Approved Budget	2008 Projected Actuals*	2008 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	53,715.2	60,135.2	59,685.0	(450.2)	(0.7)
REVENUES	38,530.5	44,136.7	43,136.7	(1,000.0)	(2.3)
NET EXP.	15,184.7	15,998.5	16,548.3	549.8	3.4
Approved Positions	549.1	604.6	574.6	(30.0)	-5.0%

Note: *Source Technical Services' 2008 Third Quarter Operating Budget Variance Report.

2008 Experience

Technical Services is forecasting a year-end unfavourable variance of \$0.550 million or 3.4% above the 2008 Approved Operating Budget net of \$15.999 million. This unfavourable variance is due to lower than budgeted revenue recoveries from City programs which are partially off-set by lower gross expenditures, as noted below.

The 2008 year-end gross expenditure projection of \$59.685 million is under budget by \$0.450 million or 0.7% compared to the 2008 Approved Operating Budget of \$60.135 million. The favourable gross variance is attributed primarily to salary savings from vacant positions. In addition, savings are also forecasted from equipment and materials/supplies by year-end.

Technical Services is projecting that year-end revenue will not be achieved and is forecasted to be approximately \$1.000 million or 2.3% below the 2008 Approved Operating Budget of \$44.137 million. The unfavourable variance reflects the under-recovery of revenues from City programs mainly pertaining to municipal infrastructure design and construction services. The lower than anticipated recoveries will be reflected as savings in the capital budgets of respective City programs.

Technical Services is projecting a vacancy rate of 30 approved positions or 5.0% compared to the approved complement of 604.6 positions. The vacancies are largely reflective of the competitive labour market conditions experienced in 2008 in the Greater Toronto Area for skilled professional and technical staff.

Impact of 2008 Operating Variance on the 2009 Recommended Budget

Technical Services' favourable variance in gross expenditures will not recur in 2009. A large proportion of the favourable variance, as noted above, is attributed to higher than planned salary gapping for vacant positions. In 2008, plans were developed in consultation with Human Resources for the creation of a recruitment and retainment strategy that will accelerate the hiring process for professional and technical staff and allow the Program to restore service levels with a full complement.

Table 3: 2009 Recommended Base Budget

(In \$000s)	2008 Appvd. Budget	2009 Recommended Base	Change 2009 Recommended Base v. 2008 Appvd. Budget		FY Incremental Outlook	
					2010	2011
	\$	\$	\$	%	\$	\$
GROSS EXP.	60,135.2	61,892.1	1,756.9	2.9	264.9	332.2
REVENUE	44,136.7	47,570.8	3,434.1	7.8	0.0	0.0
NET EXP.	15,998.5	14,321.3	(1,677.2)	(10.5)	264.9	332.2
Approved Positions	604.6	604.6	0.0	0.0	0.0	0.0
NET TARGET		15,678.5				
\$ Over / (Under) Program Target		(1,357.2)				
% Over / (Under) Program Target		-8.7%				

2009 Recommended Base Budget

The 2009 Recommended Base Budget for Technical Services is \$14.321 million net and is \$1.357 million or 8.7% below the 2009 target of \$15.679 million net which is 2% less than the 2008 Approved Operating Budget of \$15.999 million net.

The additional \$1.757 million in gross expenditures recommended in the 2009 Base Budget reflects an increase of 2.9% compared to the 2008 Approved Operating Budget of \$60.135 million. The additional funding is required for annualized costs from 2008 approvals, merit and step increases, annualization of 2008 cost of living allowance of union employees (COLA), non-salary economic factors and other base changes needed for service delivery.

The 2009 Recommended Base Budget revenues of \$47.571 million are \$3.434 million or 7.8% higher than the 2008 Approved Operating Budget of \$44.137 million. The growth in revenues is mainly driven by capital recoveries from City programs, reflecting improved alignment of costs allocated from the capital budget, most notably for Toronto Water, Transportation Services and Solid Waste Management Services.

The 2009 Recommended Base Budget net expenditures of \$14.321 million represent a decline of \$1.677 million or 10.5% compared to the 2008 Approved Operating Budget of \$15.999 million. The decline in net expenditures is attributed, in large part, to the increase in capital recoveries from City programs, as outlined above.

The 2009 Recommended Base Budget includes 604.6 approved positions, representing no change compared to the 2008 Approved Operating Budget complement.

2009 Key Cost Drivers and Reduction Strategies

The 2009 Recommended Base Budget provides funding for key cost drivers which include the following:

- Merit and step increases of \$1.155 million gross and \$0.357 million net.
- Annualization of Council approval for new staff in 2008 of \$0.673 million gross and \$0.009 million net.
- Annualization of 2008 cost of living allowances of \$0.365 million gross and \$0.113 million net.
- Increase in control survey work of \$0.100 million gross and \$0.031 million net.
- Increase in interdivisional charges of \$0.065 million gross and \$0.045 million net. The change includes the elimination of the interdivisional charge from the Office of Emergency Management in the amount of \$0.396 million gross and net. The elimination of interdivisional recoveries from City programs, which includes Emergency Management Services, Fire Services and Toronto Police Service, supports the City Manager Office's review of emergency management to increase overall efficiencies in service delivery.

The cost drivers noted above will be partially off-set by the following savings included in the 2009 Recommended Base Budget:

- Reduction of one work day in 2009 resulting in payroll savings of \$0.210 million gross and \$0.065 million net.
- Reduction in salaries to maintain the 2008 gapping level of 4.4% of \$0.078 million gross and \$0.024 million net.
- Operating cost reduction from various activities of \$0.872 million gross and \$0.602 million net, which include contracted services, minor computer/general equipment, presentation material, other professional and technical services and labour costs for the 311 Program.

2010 and 2011 Outlook: Net Incremental Impact

The 2010 and 2011 Outlook increases the projected 2009 level of service while including merit/step increments and increase of one additional work day in 2010.

- The 2010 Outlook provides funding of \$0.689 million gross and net for Phase II of the initiative to strengthen the Office of Emergency Management with the addition of three positions, and \$0.101 million for the Major Capital Infrastructure Coordination Office.

Table 4
2009 New / Enhanced Service Priority Actions Summary
(In \$000s)

Description	2009 Recommended		Rec. New Positions	Net Incremental	
	Gross Exp.	Net Exp.		2010	2011
	\$	\$	#	\$	\$
Enhanced Services:					
(a) Enhanced Services - Council Approved					
Union Station Revitalization - North West Path	258.3	0.0	3.0	0.0	0.0
(b) Enhanced Services - Program Initiated					
Engineering Technologist Technician for Survey and Mapping	44.1	0.0	1.0	0.0	0.0
Contract Engineering for Survey Inspection	216.6	0.0	5.0	0.0	0.0
Lidar Technology Equipment to Process Engineering Survey Data	160.0	0.0	0.0	0.0	0.0
Coordinator for Facilities & Structures	34.8	0.0	1.0	0.0	0.0
Senior Engineer for Solid Waste Management Services	72.6	0.0	1.0	0.0	0.0
Senior Engineer for Transportation Services	72.6	0.0	1.0	0.0	0.0
Senior Engineer for Toronto Water	72.6	0.0	1.0	0.0	0.0
Engineers in Training - Internship Program	88.8	0.0	2.0	0.0	0.0
Major/Special Projects Resources for District Engineering	239.3	0.0	5.0	0.0	0.0
Project Planning and Coordination	318.0	0.0	5.0	0.0	0.0
Strengthen the Office of Emergency Management	232.2	232.2	3.0	689.0	0.0
Major Capital Infrastructure Coordination Office	428.5	428.5	0.0	100.6	0.0
Sub-Total Enhanced Services	2,238.4	660.7	28.00	789.6	0.0
New Services:					
(a) New Services - Council Approved					
(b) New Services - Program Initiated					
Sub-Total New Services					
Total New/Enhanced Services	2,238.4	660.7	28.0	789.6	0.0

2009 Recommended New / Enhanced Service Priority Actions

There is new funding for 13 recommended enhanced service priority actions in Technical Services' 2009 Recommended Operating Budget, that require full year funding of \$4.273 million gross and \$1.450 million net, of which, \$2.238 million gross and \$0.661 million net is for 2009. The incremental funding required for 2010 will be \$2.035 million gross and \$0.790 million net. The recommended increase to the complement is 28 positions in 2009 and three additional positions in 2010.

Summary of Recommended 2009 New / Enhanced Service Priority Actions

The following summarizes the new/enhanced priority actions included in the 2009 Recommended Operating Budget:

- 1. Land Surveys and Mapping:** The 2009 Recommended Operating Budget includes the addition of six new permanent positions and implementation of Lidar mapping technology with full year funding of \$0.681 million gross and \$0 net. The 2009 recommended funding is \$0.421 million gross and \$0 net, with incremental funding for 2010 of \$0.261 million gross and \$0 net. Recommended funding will be used to increase Technical Services mapping and survey capabilities. Funding will be recovered from the Toronto Water and Transportation Services 2009 Approved Capital Budget and 2010 Capital Plan.
- 2. Office of Emergency Management:** Technical Services' 2009 Recommended Operating Budget responds to the City Manager Office's review of emergency management. Full year funding \$0.921 million gross and net is needed for strengthening the capability to mitigate, prepare for, and respond to and recover from man-made or natural emergencies. The funding recommended for 2009 is \$0.232 million gross and net, with incremental funding in 2010 of \$0.689 million gross and net. Improvements to the Office include three positions in 2009, effective August 1, 2009. As part of Phase II, an additional three positions will be included in 2010.
- 3. Engineering Policies, Standards and Support:** The 2009 Recommended Operating Budget includes the addition of 12 permanent positions for the inspection of Toronto Water and Transportation Services development related design and construction activities. In addition interdivisional funding is also included for the Major Capital Infrastructure Unit. Full year funding is \$1.821 million gross and \$0.529 million net, of which, \$1.075 million gross and \$0.429 million net is for 2009. The incremental funding in 2010 for engineering policies, standards and support will be \$0.746 million gross and \$0.101 million net.
- 4. Municipal Infrastructure Design and Construction:** The Program's 2009 Recommended Operating Budget includes the addition of 7 permanent positions requiring full year funding of \$0.850 million gross and \$0 net. The 2009 recommended funding is \$0.511 million gross and \$0 net, with incremental funding for 2010 of \$0.339 million gross and \$0 net. Recommended funding will be used to increase the Program's capital works completion rates for Toronto Water, Solid Waste Management Services and Transportation Services. Funding will be recovered from the Toronto Water, Transportation Services and Solid Waste Management Services 2009 Approved Capital Budget and 2010 Capital Plan.

Recommended Enhanced Service Priority Actions – Program Initiated***Engineering Technologist Technician for Survey and Mapping***

The increase of one Engineering Technologist Technician position will improve Technical Services' capacity to prepare topographic mapping for preliminary design and process engineering survey data in support of the increased capital works programs for Toronto Water and Transportation Services. The full year funding is \$0.088 million gross \$0 net, of which \$0.044 million gross and \$0 net is effective July 1, 2009. The incremental funding in 2010 will be \$0.044 million gross and \$0 net. Funding will be recovered from the Toronto Water and Transportation Services 2009 Approved Capital Budget and 2010 Capital Plan.

Contract Engineering Survey Inspection

The addition of one Engineering Technologist Technician position, three clerical positions and one student/recreation worker position will provide inspection and management of contracted survey consultants. Additional responsibilities will include managing the significant backlog of computer aided drafting and design files. This enhanced priority action requires full year funding of \$0.433 million gross and \$0 net. Recommended funding of \$0.217 million gross and \$0 net is effective July 1, 2009, with incremental funding in 2010 of \$0.217 million gross and \$0 net. Funding will be recovered from the Toronto Water and Transportation Services 2009 Approved Capital Budget and 2010 Capital Plan.

Lidar Technology Equipment to Process Engineering Survey Data

The projected increase to the City's capital works program will put added pressure on the Programs' traditional survey equipment. Lidar Technology equipment is a fast and effective application to gather and process engineering survey data. Lidar equipment will improve productivity and support the City's increased capital works program. This enhanced priority action requires one-time funding of \$0.160 million gross and \$0 net in 2009 with no future year impact. Funding will be recovered from the Toronto Water and Transportation Services 2009 Approved Capital Budget.

Coordinator for Facilities and Structures

The increase of one Coordinator position will assist with progress and invoice payments. Currently, Technical Services processes approximately 1,100 progress plus 600 invoice payments annually. This enhanced priority action requires full year funding of \$0.070 million gross and \$0 net, of which \$0.035 million gross and \$0 net is provided effective July 1, 2009. The incremental funding in 2010 will be \$0.035 million gross and \$0 net. The Toronto Water, Solid Waste Management Services and Transportation Services 2009 Approved Capital Budget and 2010 Capital Plan include funding for this priority action.

Senior Engineer for Solid Waste Management Services

The addition of one Senior Engineer position is needed to manage the new source separated organic material operations at the Disco and Dufferin facilities. Additional responsibilities will include management of the re-use and single stream waste projects. This enhanced priority action requires full year funding of \$0.145 million gross and \$0 net. Recommended funding of \$0.073 million

gross and \$0 net is provided effective July 1, 2009, with incremental funding in 2010 of \$0.073 million gross and \$0 net. Funding for this enhanced priority action will be recovered from the Solid Waste Management Services 2009 Approved Capital Budget and 2010 Capital Plan.

Senior Engineer for Transportation Services

This enhanced service priority action requires funding for an additional Senior Engineer position with full year funding of \$0.145 million gross and \$0 net, of which \$0.073 million gross and \$0 net is effective July 1, 2009. The incremental funding will be \$0.073 million gross and \$0 net in 2010. The position will assist with the increase in Transportation Services capital works program. Future capital works include 25 bridge rehabilitation projects and construction of new structures on Steeles Avenue. In addition, the position will also be dedicated to the F.G. Gardiner Expressway elevated portion for removal and rehabilitation. Funding will be recovered from the Transportation Services 2009 Approved Capital Budget and 2010 Capital Plan.

Senior Engineer for Toronto Water

One additional Senior Engineer position is required to manage the Don River and Waterfront Sewers Environmental Assessments for Toronto Water. Full year funding for this enhanced priority action is \$0.145 million gross and \$0 net. The 2009 recommended funding is \$0.073 million gross and \$0 net, effective July 1, 2009. The incremental funding in 2010 will be \$0.073 million gross and \$0 net. Funding will be recovered from the Toronto Water 2009 Approved Capital Budget and 2010 Capital Plan.

Engineers in Training – Internship Program

The increase of two Engineers in Training positions will support the Engineering Internship Program. Technical Services has experienced difficulty recruiting engineers and the Internship Program will form part of an integrated recruitment strategy to acquire highly qualified applicants directly from university. In addition, the resources will support the Toronto Public Service People Plan 2008-2011. This enhanced priority action requires full year funding of \$0.178 million gross and \$0 net. Funding of \$0.089 million gross and \$0 net is effective July 1, 2009. The incremental funding in 2010 will be \$0.089 million gross and \$0 net. Funding will be recovered from the Toronto Water and Transportation Services 2009 Approved Capital Budget and 2010 Capital Plan.

Major/Special Projects Resources for District Engineering

The addition of five permanent positions, including one Supervisor of Design, one Supervisor of Construction, two Civil Engineering Technologists and one Contract Administration Coordinator, is recommended to separate the design and inspection activities between the Toronto Transit Commission/Special Projects Units and the traditional core capital programs. These resources will also perform contract administration and quality assurance duties, as needed. The recommended full year funding for this enhanced service priority action is \$0.479 million gross and \$0 net, of which \$0.239 million gross and \$0 net is required for 6 months, effective July 1, 2009. The incremental funding in 2010 will be \$0.239 million gross and \$0 net. Funding will be recovered from the Toronto Water and Transportation Services 2009 Approved Capital Budget and 2010 Capital Plan.

Project Planning and Coordination

District Engineering Services' core business is the delivery of roads, sewers, watermains and the Toronto Transit Commission track capital projects. These projects involve multiple stakeholders with an interest in this work. Currently, Engineers spend approximately 25% of their time coordinating and planning projects. Changes to proposed programs and projects are commonplace. These changes lead to rework and an inefficient process and is a primary factor in District Engineering Services' not meeting its service objectives. The 2009 Recommended Operating Budget includes the increase of five Project Managers, one for each District and one for special projects, to address the need for project planning. Full year funding of \$0.636 million gross and \$0 net is required. The 2009 recommended funding is \$0.318 million gross and \$0 net for 6 months, effective July 1, 2009. The incremental funding in 2010 will be \$0.318 million gross and \$0 net. Funding will be recovered from the Toronto Water and Transportation Services 2009 Approved Capital Budget and 2010 Capital Plan.

Strengthening the Office of Emergency Management

The City Manager Office's independent review of emergency management made several recommendations for strengthening the mitigation, preparedness, response and recovery capabilities of the Office of Emergency Management. The review identified that the City is currently meeting the minimum Provincially mandated requirements under the Emergency Management Act. The required full year funding to strengthen the Office of Emergency Management is \$0.921 million gross and net. The 2009 recommended funding is \$0.232 million gross and net, effective August 1, 2009, for the addition of a Director, Manager, and Administrative Assistant position. Three additional positions will be added in 2010, including two Emergency Management Coordinators and a Clerk, requiring incremental funding of \$0.689 million gross and net.

Major Capital Infrastructure Coordination Office

The Mayor's Fiscal Review Panel recommended in their report "A Blueprint for Fiscal Stability and Economic Prosperity – A Call to Action", the need to create a new high-level infrastructure unit for the City's Programs, Agencies, Boards and Commissions, where possible. In response to the report, the Technical Services 2009 Recommended Operating Budget provides interdivisional funding of \$0.429 million gross and net to the Policy, Planning, Finance and Administration Program to fund four temporary positions for finalization of the Unit, with incremental funding of \$0.101 million gross and net in 2010.

Recommended Enhanced Service Priority Actions – Council Approved***Union Station Revitalization - Northwest Path***

City Council at its meeting of December 1, 2 and 3, 2008, approved continuation of the design for the revitalization of Union Station and the Northwest PATH connection. The new PATH connection will relieve existing pedestrian congestion, support Union Station revitalization and future downtown growth and accommodate pedestrian activities generated by GO Transit's service expansion over the next 20 years. This priority action includes the addition of two Senior Engineer positions and one Project Manager position, with full year funding of \$0.344 million gross and \$0 net, of which \$0.258 million gross and \$0 net is provided in 2009. The incremental funding in 2010

will be \$0.086 million gross and \$0 net. Funding will be recovered from the Union Station 2009 Approved Capital Budget and 2010 Capital Plan.

2009 Budget Issues**2009 Recommended Operating Budget vs. Guideline**

Technical Services' 2009 Recommended Base Budget is \$14.321 million net and is \$1.357 million or 8.7% below the 2009 target of \$15.679 million net which is 2% less than the Approved 2008 Operating Budget of \$15.999 million net. The increase in capital recoveries of \$3.434 million from City programs is the main factor for Technical Services' surpassing the 2009 net operating budget target.

Toronto Transit City Light Rail Plan

At its March 21, 2007 meeting, the Toronto Transit Commission approved the Toronto Transit City Light Rail Plan. The Transit City Plan involves the construction of seven new light rail lines which will operate in their own dedicated rights-of-way. This Plan will bring fast and environmentally-friendly light rail transit to the City. Transit City will result in the creation of an interconnected network of rapid transit across the City. On June 15, 2007, the Province of Ontario announced the MoveOntario 2020 Plan which provides \$17.5 billion for rapid transit funding in the Greater Toronto Area and Hamilton, including all of the Transit City lines. The Province has committed \$11.5 billion of this funding on the expectation that the Federal government will supply the remaining \$6.0 billion. To date, the Federal government has not committed any firm funding to MoveOntario 2020. Aside from preliminary work on environmental assessments and design, the Transit City project is not funded. Technical Service's 2009 Recommended Operating Budget for enhanced service priority actions does not include funding to advance the Transit City Light Rail Plan, given that the project has not moved beyond the conceptual planning stage and the lack of secured funding from the Federal and Provincial governments at this time.

2008 Unfilled Vacancies

Technical Services is projecting a vacancy rate of 30 approved positions or 5.0% compared to the 2008 Approved Operating Budget complement of 604.6 positions. As noted previously, Technical Services, in consultation with Human Resources are developing a recruitment strategy that will accelerate the hiring process and allow Technical Services to restore service levels based on a full complement. The 2009 Recommended Operating Budget includes 28 new positions to assist in delivering the City capital works program.

Appendix A

2009 Recommended Base Budget Changes vs. 2008 Approved Budget

(In \$000s)	Summary of 2009 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2010	2011
		\$	\$	\$	\$	\$
2008 Council Approved Operating Budget	604.6	60,351.4	44,136.7	16,214.7	0.0	0.0
In-year approvals and technical adjustments		(160.8)		(160.8)		
Corporate adjustments		(55.4)		(55.4)		
2008 Approved Operating Budget	604.6	60,135.2	44,136.7	15,998.5	0.0	0.0
Prior year impacts		1,800.8	1,539.0	261.8	328.9	332.2
Zero base items				0.0		
Economic factors		278.6	192.5	86.1		
Adjusted Base Budget	604.6	62,214.6	45,868.2	16,346.4	328.9	332.2
Other base changes		(322.5)	(121.4)	(201.1)	(64.0)	
Base revenue changes			1,824.0	(1,824.0)		
Recommended Service Level Adjustments:						
Base changes						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	0.0	(322.5)	1,702.6	2,025.1	(64.0)	0.0
2009 Recommended Base Budget	604.6	61,892.1	47,570.8	14,321.3	264.9	332.2
2009 Program Operating Target				15,678.5		
% Over (Under) Program Target				-8.7%		
% Over (Under) 2008 Appvd. Budget				-10.5%		

Appendix C

**Summary of 2009 Recommended New/Enhanced
Service Priority Actions**

Appendix D

Program Summary by Expenditure Category

CLUSTER: CITIZEN CENTRED SERVICES "B"							
PROGRAM: TECHNICAL SERVICES							
	2008	2008	2009	Change from		2010	2011
	Approved	Projected	Recommended	2008 Approved			
	Budget	Actuals	Budget	Budget	%		
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	52,888.8	52,438.8	56,238.1	3,349.3	6.3%	58,369.2	58,967.2
Materials and Supplies	621.8	621.8	653.9	32.1	5.2%	722.0	722.0
Equipment	1,678.6	1,678.6	1,115.3	(563.3)	(33.6%)	1,043.3	1,043.3
Services & Rents	2,603.4	2,603.4	3,286.3	682.9	26.2%	3,307.5	3,307.5
Contributions to Capital							
Contributions to Reserve/Res Funds	750.6	750.6	751.2	0.6	0.1%	751.2	751.2
Other Expenditures							
Interdivisional Charges	1,592.0	1,592.0	2,085.8	493.8	31.0%	2,186.4	2,186.4
TOTAL GROSS EXPENDITURES	60,135.2	59,685.2	64,130.5	3,995.3	6.6%	66,379.6	66,977.6
Interdivisional Recoveries	23.3	23.3	0.1	(23.3)	(99.8%)	0.1	0.1
Provincial Subsidies							
Federal Subsidies							
Other Subsidies							
User Fees & Donations	2,229.6	2,229.6	2,215.6	(14.1)	(0.6%)	2,215.6	2,215.6
Transfers from Capital Fund	39,310.4	38,310.4	44,569.9	5,259.5	13.4%	46,224.6	46,637.3
Contribution from Reserve Funds							
Other Subsidies							
Sundry Revenues	2,573.4	2,573.4	2,363.0	(210.4)	(8.2%)	2,363.0	2,363.0
TOTAL REVENUE	44,136.8	43,136.8	49,148.5	5,011.7	11.4%	50,803.2	51,215.9
TOTAL NET EXPENDITURES	15,998.4	16,548.4	14,982.1	(1,016.4)	(6.4%)	15,576.4	15,761.8
APPROVED POSITIONS	604.6	574.6	632.6	28.0	4.6%	635.6	635.6

Appendix E

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Balance as of December 2008 \$	Proposed Withdrawals (-) / Contributions (+)		
			2009 \$	2010 \$	2011 \$
Vehicle Reserve	XQ1507	350,234	236,600		
Insurance Reserve Fund	XR1010	28,050,370	514,600		
Total Reserve / Reserve Fund Draws / Contributions			751,200	0.0	0.0