



STAFF REPORT INFORMATION ONLY

2008 Consulting Services Expenditure – City Divisions and Major Agencies, Boards and Commission

Date:	June 9, 2009
To:	Government Management Committee
From:	Acting Treasurer
Wards:	All
Reference Number:	P:\2009\Internal Services\acc\gm09007acc (AFS# 8701)

SUMMARY

The report is to inform the Committee and Council on the consulting services expenditure of City Divisions and major Agencies, Boards and Commission (ABCs) for the year ended December 31, 2008. It contains a summary and details, by category and vendor, of the Operating and Capital consulting services expenditure for 2008, with 2007 comparative.

Financial Impact

There are no financial implications arising from this report.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

Council at the meeting of December 4-6, 2001, adopted the recommendations contained in the City Auditor's report on consulting services (re: Audit Committee Report No. 10, Clause 10 titled "Policy for the Selection and Hiring of Professional and Consulting Services; Use of Consultants and Expenditure Reduction Strategies; Hiring of Professional and Consulting Services Review"). Included in these recommendations was a requirement that "All future reporting of consulting expenditures be based on actual expenditures incurred and not on the value of contracts awarded unless specifically requested by Council. In order to ensure that such reporting is accurate, all consulting costs reported to Council be reconciled to the City's financial information system by each Department." See staff report

<http://www.toronto.ca/legdocs/2001/agendas/council/cc011204/au10rpt/c1010.pdf>

Subsequently, Council at its meeting held on June 18 – 20, 2002, adopted the following recommendation contained in a report dated May 31, 2002 from the Chief Administrative Officer, entitled “Corporate Accountability Framework – Implementation Plan and Status Update on the Use of Consultants” (re: Audit Committee Report No. 6, Clause 1): “The CAO and CFO, in consultation with the City Auditor, provide an annual report commencing with the period ending December 31, 2002, on consulting expenditures that will include actual consulting expenses for the previous year and the year prior (i.e., 2002 and 2001 actuals) organized by: department or local board, by the specific consulting categories, and by vendor.” See staff report

<http://www.toronto.ca/legdocs/2002/agendas/council/cc020618/au6rpt/cl001.pdf>

COMMENTS

Consulting services are required to be acquired in accordance with the Toronto Municipal Code, Chapter 195, Purchasing, and Purchasing Policies and Procedures. The consulting services reported in this report follow the five categories outlined in the Selection and Hiring of Consulting Services policy that was revised and approved by Council in May 2007:

Technical: undertake activities on a defined assignment to assist managers in analyzing technical problems and recommending solutions (including the selection of engineering/architectural designs, research, appraisals, planning);

Management/Research and Development: undertake planning, organizing and directing activities to assist managers in analyzing management problems and recommending solutions for a defined assignment (can be operational, administrative, organizational policy in nature); with research and development being investigative study to provide the City with increased knowledge or information.

Information Technology: undertake activities on a defined assignment to assist managers in needs assessment and system selection including information processing, telecommunications and office automation (can be analytical, testing or of a business process nature);

External Lawyers and Planners: as determined in consultation with City legal staff; and

Creative Communications: inclusive of advertising, promotions, public relations and design advice.

The City Divisions and major ABCs have confirmed their 2008 consulting services expenditure, by vendor, for each of the five categories for both the Operating and Capital Budgets. Accounting Services staff have verified and reconciled, to the General Ledger, the actual and budget amounts reported by the Divisions. The amounts reported for the ABCs were confirmed by the specific ABC.

A summary of the consulting services expenditure for 2008, with 2007 comparative, for Operating and Capital, of Divisions and major ABCs, is presented below in Tables 1 and 2 respectively. Table 1a (Operating) and 2a (Capital) provide a summary by category; Table 1b (Operating) and 2b (Capital) provide a summary by Division/ABC.

The details of the consulting services expenditure for 2008, by category and vendor, for each Division and major ABC, are shown on Appendix A (Operating) and Appendix B (Capital), respectively.

In addition, Table 3 shows a comparison of the total consulting services expenditure for years 2003 to 2008.

Table 1a
OPERATING
Consulting Services Expenditure Summary
By Consulting Category for City Divisions and Major ABCs
(Details in Appendix A)

Category	Contract Balance Remaining Dec 31/2008 \$ 000's (Note)	2008 Budget \$ 000's	2008 Actual \$ 000's	2007 Actual \$ 000's	% Change Increase/ (Decrease)	2008 Expenditure % by category	2007 Expenditure % by category
<u>City Divisions</u>							
Technical	494.1	1,341.1	672.7	1,479.0	(54.5)	27.3	54.7
Information Technology	0.0	0.0	53.0	57.6	(8.0)	2.1	2.1
Management/ R & D	130.8	787.0	1,123.9	1,107.5	1.5	45.6	41.0
Lawyers & Planners	282.6	203.7	616.6	60.3	922.6	25.0	2.2
Creative Communications	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Divisions	907.5	2,331.8	2,466.2	2,704.4	(8.8)	100.0	100.0
<u>Major ABCs</u>							
Technical	321.4	676.0	387.2	223.3	73.4	7.5	10.1
Information Technology	31.3	672.2	238.0	548.6	(56.6)	4.6	24.8
Management/ R & D	4,957.2	4,204.3	3,733.3	776.2	381.0	72.5	35.2
Lawyers & Planners	12.8	820.3	717.8	579.9	23.8	13.9	26.3
Creative Communications	0.0	73.0	75.5	79.4	(4.9)	1.5	3.6
Total ABCs	5,322.7	6,445.8	5,151.8	2,207.4	133.4	100.0	100.0
GRAND TOTAL	6,230.2	8,777.6	7,618.0	4,911.8	55.1		

Note: The contract value reported is the balance remaining as at December 31, 2008, net of GST. It is the amount expected to be spent in future year(s) and is not comparable to the current year expenditure amount.

Table 1b
OPERATING
Consulting Services Expenditure Summary
By City Divisions and Major ABCs
(Details in Appendix A)

City Divisions	Category						2008 Budget	2007 Actual	% Change	2008 Exp. As % of Services & Rents Budget
	Technical	Information Technology	Mgmt /R&D	Lawyers & Planners	Creative Commun.	2008 Actual				
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	Incr./ (Decr.)	
Citizen Centred Services "A"	0.0	0.0	209.7	0.0	0.0	209.7	392.0	768.8	(72.7)	0.0%
Citizen Centred Services "B"	458.4	0.0	186.0	0.0	0.0	644.4	1,206.5	683.3	(5.7)	0.2%
Internal Services	77.7	53.0	216.8	0.0	0.0	347.5	0.0	853.3	(59.3)	0.5%
City Manager	0.0	0.0	110.1	0.2	0.0	110.3	0.0	0.0	-	3.8%
Other City Programs	0.0	0.0	47.3	299.1	0.0	346.4	0.0	69.3	399.9	2.8%
Corporate Accounts - Non Program	136.6	0.0	354.0	317.3	0.0	807.9	733.3	329.7	145.0	0.7%
Total	672.7	53.0	1,123.9	616.6	0.0	2,466.2	2,331.8	2,704.4	(8.8)	0.2%
%	27.3	2.1	45.6	25.0	0.0	100.0				

Agencies\Boards\Commission	Category						2008 Budget	2007 Actual	% Change	2008 Exp. As % of Services & Rents Budget
	Technical	Information Technology	Mgmt /R&D	Lawyers & Planners	Creative Commun.	2008 Actual				
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	Incr./ (Decr.)	
Exhibition Place	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5	(100.0)	0.0%
Heritage Toronto	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0%
Sony Centre for Perf. Arts	0.0	0.0	41.1	6.2	0.0	47.3	5.0	0.0	-	0.8%
St. Lawrence Centre for the Arts	0.0	0.0	5.0	0.0	0.0	5.0	0.0	0.0	-	1.0%
Toronto Atmospheric Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Toronto Centre for the Arts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.2	(100.0)	0.0%
Toronto Parking Authority	0.0	0.0	0.0	0.0	71.0	71.0	71.0	70.0	1.4	0.5%
Toronto Police Services	16.2	183.8	432.5	23.9	1.9	658.3	1,054.2	1,028.0	(36.0)	1.7%
Toronto Police Services Board	0.0	0.0	0.0	572.6	0.0	572.6	694.9	359.2	59.4	69.7%
Toronto Public Library Board	3.3	0.0	0.0	11.7	2.6	17.6	30.0	12.2	44.3	0.1%
Toronto Transit Commission	365.4	54.2	3,254.7	29.1	0.0	3,703.4	4,588.5	635.9	482.4	5.9%
Toronto Zoo	2.3	0.0	0.0	74.3	0.0	76.6	2.2	88.4	(13.3)	0.8%
Total	387.2	238.0	3,733.3	717.8	75.5	5,151.8	6,445.8	2,207.4	133.4	2.8%
%	7.5	4.6	72.5	13.9	1.5	100.0				

GRAND TOTAL (Divisions & ABCs)	1,059.9	291.0	4,857.2	1,334.4	75.5	7,618.0	8,777.6	4,911.8	55.1	0.6%
%	13.9	3.8	63.8	17.5	1.0	100.0				

As shown on Tables 1a and 1b above, the 2008 actual operating consulting services expenditure for the City Divisions decreased by \$ 0.238 million (8.8%), while the ABCs increased by \$ 2.944 million (133.4%), compared to 2007. The decrease for City Divisions was due mainly to certain technical consulting services for the Union Station Revitalization being moved to the Capital budget and certain Divisions requiring less services in 2008. That decrease was offset by an increase in Legal consulting advice obtained for: the Toronto Port Authority matter; the new governance structure for the City's arm's-length corporation to achieve the economic competitiveness objectives; and the voluntary disclosure of GST liability by commercial tenants in City-owned properties. The increase for the ABCs was due primarily to the Toronto Transit Commission (TTC) initiating the management review and development of a comprehensive strategy to reverse the increase in occupational injury rates. For City Divisions, the total expenditure exceeded the reported budget primarily because the budget for certain items was recorded in a non-consulting budget line. For the ABCs, the expenditure was within the approved budget. In both cases, there were specific over-budget occurrences that were offset by under-spending

in other Divisions or ABCs. An explanation of the significant budget variances, by Division/ABC, is included in the detail listing on Appendix A. As in the previous year, consulting services expenditure are low, being approximately 0.2 % and 2.8%, respectively, of the gross Purchase of Services and Rents budgets of City Divisions and major ABCs.

Table 2.a
CAPITAL
Consulting Services Expenditure Summary
By Consulting Category for City Divisions and Major ABCs
(Details in Appendix B)

Category	Contract Balance Remaining Dec 31/2008 \$ 000's (Note 1)	2008 Actual \$ 000's (Note 2)	2007 Actual \$ 000's	% Change Increase/ (Decrease)	2008 Expenditure % by category	2007 Expenditure % by category
<u>City Divisions</u>						
Technical	10,592.5	7,808.9	3,071.2	154.3	70.5	74.8
Information Technology	4,012.3	2,891.4	779.8	270.8	26.1	19.0
Management/ R & D	36.5	38.5	186.9	(79.4)	0.4	4.5
Lawyers & Planners	103.3	328.7	64.2	412.0	3.0	1.6
Creative Communications	0.0	3.9	3.5	11.4	0.0	0.1
Total Divisions	14,744.6	11,071.4	4,105.6	169.7	100.0	100.0
<u>Major ABCs</u>						
Technical	2,136.8	3,469.2	2,281.3	52.1	69.6	42.0
Information Technology	1,132.4	979.9	2,515.5	(61.0)	19.7	46.3
Management/ R & D	0.0	125.6	409.6	(69.3)	2.5	7.5
Lawyers & Planners	12.4	408.3	220.5	85.2	8.2	4.1
Creative Communications	0.0	0.0	3.8	(100.0)	0.0	0.1
Total ABCs	3,281.6	4,983.0	5,430.7	(8.2)	100.0	100.0
GRAND TOTAL	18,026.2	16,054.4	9,536.3	68.4		

Note:

- (1) The contract value reported is the balance remaining as at December 31, 2008, net of GST. It is the amount expected to be spent in future year(s) and is not comparable to the current year expenditure amount.
- (2) The Budget amount is excluded because capital projects are budgeted on a total project basis and consulting services are not separately identified in the capital budget.

Table 2.b
CAPITAL
Consulting Services Expenditure Summary
By City Divisions and Major ABCs
(Details in Appendix B)

City Divisions	Category						2007 Actual	% Change	2008 Exp. As % of Approved 2008 Capital Plan
	Technical	Information Technology	Mgmt /R&D	Lawyers & Planners	Creative Commun.	2008 Actual			
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	Incr./ (Decr.)	
Citizen Centred Services "A"	52.4	169.5	38.5	0.0	3.9	264.3	189.1	39.8	0.1%
Citizen Centred Services "B"	3,359.7	69.9	0.0	0.0	0.0	3,429.6	2,122.9	61.6	0.4%
Internal Services	4,396.8	2,652.0	0.0	328.7	0.0	7,377.5	1,793.6	311.3	3.9%
City Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Other City Programs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Total	7,808.9	2,891.4	38.5	328.7	3.9	11,071.4	4,105.6	169.7	0.8%
%	70.5	26.1	0.4	3.0	0.0	100.0			

Agencies\Boards\Commission	Category						2007 Actual	% Change	2008 Exp. As % of Approved 2008 Capital Plan
	Technical	Information Technology	Mgmt /R&D	Lawyers & Planners	Creative Commun.	2008 Actual			
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	Incr./ (Decr.)	
Exhibition Place	84.1	0.0	0.0	0.0	0.0	84.1	194.1	(56.7)	0.1%
Heritage Toronto	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Sony Centre for Perf. Arts	1,483.4	62.0	125.6	162.5	0.0	1,833.5	332.0	452.3	14.7%
St. Lawrence Centre for the Arts	0.0	0.0	0.0	0.0	0.0	0.0	158.8	(100.0)	-
Toronto Atmospheric Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Toronto Centre for the Arts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Toronto Parking Authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Toronto Police Services	0.0	896.5	0.0	0.0	0.0	896.5	2,507.4	(64.2)	0.9%
Toronto Police Services Board	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Toronto Public Library Board	29.7	0.0	0.0	0.0	0.0	29.7	10.2	191.2	0.1%
Toronto Transit Commission	973.4	21.4	0.0	245.8	0.0	1,240.6	2,119.3	(41.5)	0.1%
Toronto Zoo	898.6	0.0	0.0	0.0	0.0	898.6	108.9	725.2	6.0%
Total	3,469.2	979.9	125.6	408.3	0.0	4,983.0	5,430.7	(8.2)	0.4%
%	69.6	19.7	2.5	8.2	0.0	100.0			

GRAND TOTAL (Divisions & ABCs)	11,278.1	3,871.3	164.1	737.0	3.9	16,054.4	9,536.3	68.4	0.6%
%	70.3	24.1	1.0	4.6	0.0	100.0			

As shown on Tables 2a and 2b above, the 2008 capital consulting services expenditure for the City Divisions increased by \$ 6.966 million (169.7 %), and the ABCs decreased by \$ 0.447 million (8.2 %), compared to 2007. The increase for City Divisions is primarily due to reviews and technical studies undertaken for the Union Station Revitalization and the TorontoYards Consolidation as well as development of the new Financial Planning Analysis and Reporting System and other information and technology architecture design work. The consulting expenditures are approximately 0.8 % and 0.4 %, respectively, of the 2008 Capital Plan of City Divisions and major ABCs.

Table 3
COMPARISON OF CONSULTING SERVICES EXPENDITURE BY YEAR: 2003- 2008

Year	OPERATING (\$000S)			CAPITAL (\$000S)			Total Consulting Expenditure - Operating & Capital (\$000's)
	City	ABC	Total	City	ABC	Total	City & ABC
2008	2,466.2	5,151.8	7,618.0	11,071.4	4,983.0	16,054.4	23,672.4
2007	2,704.4	2,207.4	4,911.8	4,105.6	5,430.7	9,536.3	14,448.1
2006	792.1	2,548.3	3,340.4	4,330.7	5,519.3	9,850.0	13,190.4
2005	1,915.4	2,326.1	4,241.5	2,540.5	6,454.2	8,994.7	13,236.2
2004	1,934.6	3,605.9	5,540.5	3,933.6	6,497.1	10,430.7	15,971.2
2003	2,306.7	4,301.9	6,608.6	5,271.6	6,574.9	11,846.5	18,455.1

Table 3 above shows the comparison of the total operating and capital consulting services expenditure for the years 2003 to 2008. While spending on consulting services are subject to operational requirements and varies from year to year, several measures implemented since 2002 have resulted in improved control. The initial zero-based justification during the budget process, stricter guidelines on the selection of consultants, compliance with purchasing policies, the requirement to report consulting expenditures as a separate item on the quarterly Operating Budget Variance report as well as this annual report have combined to ensure that Divisions and ABCs are maintaining control over their consulting expenditures.

CONTACT

Mike St. Amant
 Director, Accounting Services
 Tel: 416-397-4438
 Fax: 416-392-8003
 Email: mstamant@toronto.ca

Aditya Rupsingh
 Manager, Accounting Services
 Tel: 416-392-7648
 Fax: 416-696-4228
 Email: arupsing@toronto.ca

Paul Chan
 Financial Analyst
 Tel: 416-392-7526
 Fax: 416-696-4228

SIGNATURE

Giuliana Carbone
 Acting Treasurer

ATTACHMENTS

- Appendix A: 2008 Consulting Services Expenditure - Operating
- Appendix B: 2008 Consulting Services Expenditure - Capital