

Analyst Briefing Notes

Budget Committee - February 16, 2010

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February 25, 2010

Executive Summary

- Facilities and Real Estate provides asset and real estate management services for a large portfolio of buildings and properties across the City of Toronto. Facilities and Real Estate are committed to work collaboratively with their clients in order to advance the city-wide priorities by protecting and maximizing the City's property assets. Facilities and Real Estate delivers 2 main services:
 - Facilities Management provides leadership and stewardship of the City's facilities consisting of over 1,000 buildings and approximately 15.0 million square feet of public space.
 - Real Estate Management provides realty services for the City of Toronto with its portfolio of over 5,400 properties and 26 million square feet of building space.
- Facilities and Real Estate have established service objectives which require asset management and environmental stewardship. Multi-year objectives include:
 - Maintain City facilities in accordance with core service standards negotiated with the occupants and outlined in client service level agreements that meet compliance with federal, provincial and municipal legislation.
 - Continue the implementation of the new Corporate Facilities Management Framework to centralize and standardize core facilities management functions to achieve efficiency gains.
 - Continue to implement all major capital initiatives, with a particular focus on the Union Station operations management and the Nathan Phillips Square Revitalization.
 - Maximize lease revenues, provide the best use of assets for City Programs and work with Build Toronto and Invest Toronto to leverage the City's Real Estate assets in a productive and economically advantageous manner.
 - Reduce electricity demand in 2010 by 20 megawatts to ensure energy demand has been reduced by 90 megawatts in 2012 and reduce greenhouse gas emissions city-wide by 30% in 2020 from the 1990 levels through the development of energy efficiency and renewable energy programs and partnerships with the community at large.
 - Continue to implement waste and recycling programs to ensure waste diversion rate exceeds the City targets of 70% by 2010.
- 2009 Accomplishments for Facilities and Real Estate include assuming operational responsibility for Union Station, launching the Facilities Transformation Project, entering the implementation phase for the Capital Asset Management System and receiving BOMA BEST certification for City Hall and Metro Hall facilities.

- For 2009, Facilities and Real Estate projects year-end net expenditures of \$54.780 million, \$0.144 million or 0.3% below the 2009 Approved Operating Budget of \$54.924 million net. This favourable variance primarily results from the transfer of Union Station taking place in May rather than the beginning of the year which resulted in a savings in salaries and benefits and contracted services offset by an under recovery of revenues. There was also savings realized in utility costs due to seasonal weather fluctuations.
- The 2010 Recommended Operating Budget for Facilities and Real Estate includes \$0.815 million increase in costs for Union Station as well as a contribution from the Union Station Reserve to offset lost revenues and additional costs during construction.

Table 1: 2010 Recommended Budget

(In \$000s)	2009		2010 Recommended Operating Budget			Change - 2010 Recommended Operating Budget v. 2009 Appvd. Budget		FY Incremental Outlook	
	2009 Appvd. Budget	2009 Projected Actual	2010 Rec. Base	2010 Rec. New/Enhanced	2010 Rec. Budget			2011	2012
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	164,872.4	158,206.8	168,277.2	1,352.3	169,629.5	4,757.1	2.9	1,464.4	105.6
REVENUE	109,948.5	103,427.2	114,015.5	1,352.3	115,367.8	5,419.3	4.9	565.7	(75.0)
NET EXP.	54,923.9	54,779.6	54,261.7	0.0	54,261.7	(662.2)	(1.2)	898.7	180.6
Approved Positions	897.3	897.3	887.8	17.1	904.9	7.6	0.8	0.0	(1.0)

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
NET BUDGET	54,261.7	54,261.7	(0.1)	51,515.6
PROGRAM REDUCTION (\$)	(2,901.8)	(2,901.8)	(0.0)	(2,746.2)
PROGRAM REDUCTION (%)	(5.3)	(5.3)	(0.0)	(5.0)

- The 2010 Recommended Operating Budget for Facilities and Real Estate of \$169.629 million gross and \$54.262 million net is \$0.662 million or 1.2% below the 2009 Approved Operating Budget, and achieves Program reductions of \$2.902 million or 5.3% of the 2009 Approved Operating Budget.
- The 2010 Recommended Operating Budget for Facilities and Real Estate is comprised of base funding of \$168.277 million gross and \$54.262 million net and funding for new/enhance priority actions of \$1.352 million gross, \$0 net. Approval of the 2010 Recommended Operating Budget will result in the Program's total staff complement increasing from 897.3 to 904.9 approved positions as a result of the elimination of 9.5 permanent positions from recommended service changes and the addition of 17.1 new positions (10.1 permanent and 7 temporary) for new and enhanced services.
- The 2010 Recommended Operating Budget for Facilities and Real Estate results in incremental future year net costs to the Program of \$0.899 million in 2011 and \$0.181 million in 2012. The approved complement will reduce by 1 temporary position in 2012.
 - In 2011, projected increases of \$1.182 million for COLA, progression pay and step increases, will be somewhat offset by the \$0.282 million in incremental savings from 2010 recommended service changes.

- The 2012 Outlook anticipates incremental increases of \$0.181 million for progression pay and step increases.
- The 2010 Recommended Base Budget provides funding for the following key cost drivers:
 - A cost of living adjustment (COLA) of 2% for union staff and 1% for exempt staff and step and progression pay increases results in an increase to salaries and benefits of \$1.609 million.
 - Inflation for non-salary items such as utilities and materials and supplies of \$1.368 million.
- The cost drivers noted above will be partially off-set by the following savings included in the 2010 Recommended Operating Budget:
 - An increase in charges to clients based on applicable inflationary factors and an increase in revenue from inter-divisional recoveries of \$1.323 million.
 - Reduction in fuel consumption costs of \$0.041 million and a reduction in salaries and benefits to reflect actual experience and maintain the gapping rate at the 2009 level of 2.8% for \$0.096 million.
- The Program's 2010 Recommended Operating Budget includes service changes with savings of \$2.335 million with a 2011 incremental impact of \$0.282 million. The service change actions include \$1.615 million in service efficiencies, \$0.404 million in revenue changes and \$0.316 million in minor service level changes.
 - Service Efficiencies include: cost reductions in overtime of \$0.238 million, utilities of \$0.464 million and materials and supplies for \$0.215 million. In total, 5.5 positions will be deleted from the complement for savings of \$0.448 million. Finally, there is anticipated tax savings of \$0.250 million in 2010 on properties managed by Facilities and Real Estate.
 - Facilities and Real Estate anticipates an increase in revenue of \$0.184 million from lease renewals and will recover operating costs for the Tax Assessment Unit of \$0.220 million from the Non-Program Revenue Budget.
 - The minor service level changes anticipate a reduction of 4.0 permanent positions from the complement that will provide savings of \$0.316 million.
- Approval of the Service Changes will result in a reduction of 9.5 approved positions reducing the base complement to 887.8.
- The 2010 Recommended New/Enhanced Service Priority Actions require additional funding of \$1.352 million gross, \$0 net and an additional 17.1 new positions for the following:
 - 9.1 new permanent positions for additional client caretaking, cleaning, security and other client service demands for various City Divisions and ABCs (\$0.658 million gross, \$0 net).

- 1 new permanent position to implement and begin a Fuel Purchasing and Hedging Program to mitigate the City's risk and provide a stable cost for fuel (\$0.081 million gross, \$0 net).
- 6 new temporary positions to implement various information technology capital projects (Facilities Preventative Maintenance, PF&R SAP leasing and FPARS) that enhance SAP functionalities, creates automation and improves decision making (\$0.507 million gross, \$0 net).
- 1 new temporary position to provide communication and marketing expertise for Union Station to ensure that the revitalization is successful (\$0.072 million gross, \$0 net).
- Implementation of the Facilities Management Framework will involve the centralization of facility operating and capital budgets for all City Programs in order to ensure that all City-owned facilities are operated and maintained in a manner that meets operating needs and protects these assets into the future.
- The 2010 Recommended Operating Budget for Facilities and Real Estate provides funding for the Program to continue and initiate the following activities:
 - Continue to provide stewardship of facilities in accordance with prescribed use to a core service standard negotiated with the requirements of the occupant to comply with federal, provincial, and municipal legislation outlined in the client service level agreements and continue the implementation of the Facilities Management framework.
 - Continue to manage leases, property appraisals, and property acquisitions and disposals. The acquisition of property is expected to double with the implementation of Transit City.
 - Initiate additional caretaking and cleaning services as well as security for various City Programs and ABCs.
 - Initiate a new Fuel Purchasing and Hedging Program which will provide a stable cost of fuel and mitigate city risk.
 - Continue to implement the Toronto Sustainable Energy Plan setting a course to meet the greenhouse gas emissions reductions.
 - Continue to lead the Union Station Revitalization and Nathan Phillips Square Redevelopment Projects.
 - Implement various information technology enhancements which will help automate and improve functionality.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2010 Recommended Operating Budget for Facilities and Real Estate of \$169.629 million gross and \$54.262 million net, comprised of the following services:

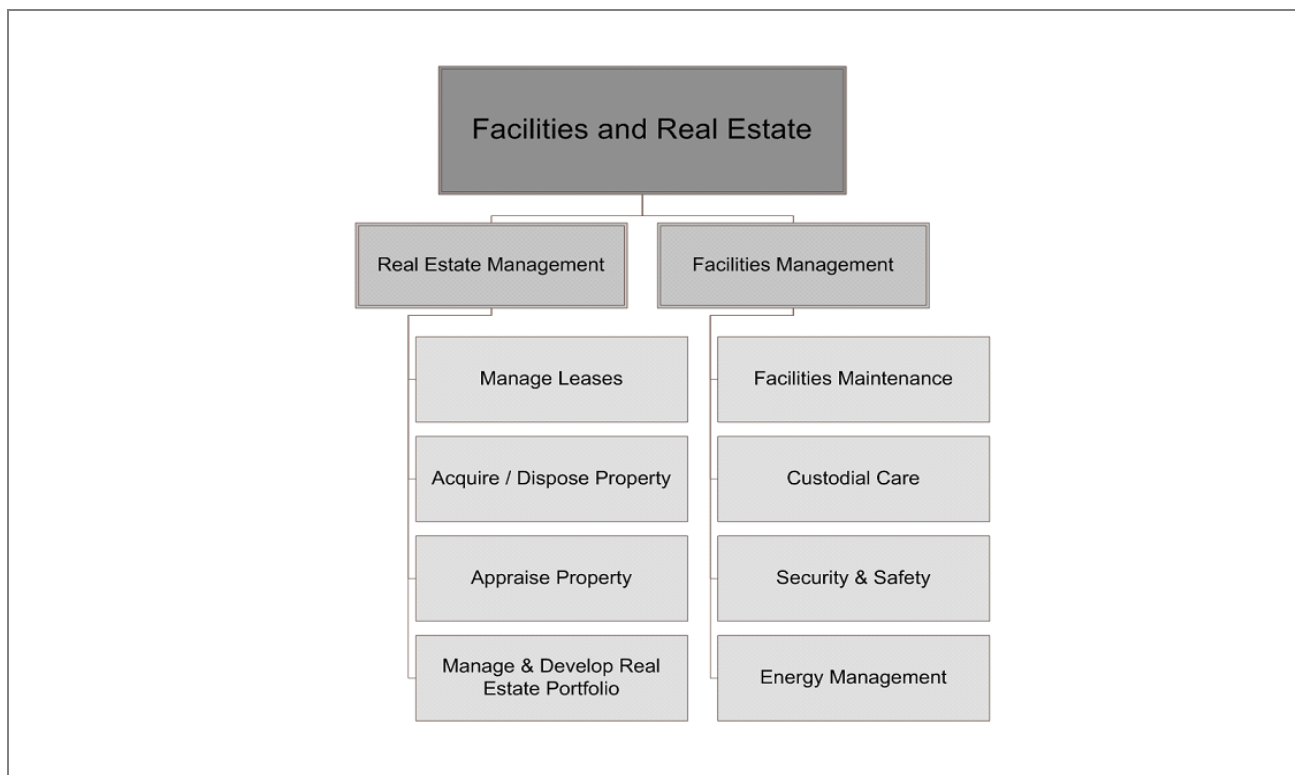
<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Facilities	148,548.7	79,686.4
Real Estate	<u>21,080.7</u>	<u>(25,424.7)</u>
Total Program Budget	<u>169,629.5</u>	<u>54,261.7</u>

2. the information contained in confidential attachment 1 remain confidential until the outcome of Council's decision has been communicated to the Unions and affected staff.

Mission Statement

Facilities and Real Estate manage a large portfolio of buildings and properties across the City of Toronto. The Program works collaboratively and responsively with clients to advance City-wide priorities by protecting and maximizing the City's property assets in an innovative and fiscally sustainable manner.

Program Map



Facilities and Real Estate serves a wide range of clients including City Programs, Agencies, Boards and Commissions, residential and commercial tenants, Toronto building owners, Provincial and Federal Agencies, visitors and residents.

Facilities Management Services provides leadership and stewardship of over 1,000 buildings and approximately 15.0 million square feet of public space with a commitment to best practices incorporating environmental, social and economic principles. This service ensures facilities are safe, accessible and available to deliver programs and services by employing facility maintenance standards, life cycle planning and building condition assessments.

Real Estate Management Services provides realty services for the City of Toronto with a goal of ensuring optimal portfolio mix, which currently includes over 5,400 properties and 26.5 million square feet of building space. This service facilitates property valuations, acquisitions, and disposals

to ensure City programs can operate services in facilities that meet their needs for space, layout and geographical location, emphasizing value for money.

Facilities Management

Facilities Management will maintain facilities in accordance with prescribed use to a core service standard negotiated with the requirements of the occupant to comply with federal, provincial, and municipal legislation and client service level agreements as well as continue to reduce energy demand and greenhouse gases, generate clean energy and maintain waste diversion targets. The following activities, types and service levels are provided by the division:

- Facilities Maintenance
 - Scheduled Preventative Maintenance for over 778 buildings in portfolio
 - Unscheduled Maintenance responses within 2 hours for emergencies, 24 hours for urgent and 30 days for necessary service
 - Facilities Operations HVAC maintenance for major building components impacting the climate of facilities
 - Customer Support for an average of 75,000 requests annually
 - Space Planning and Accommodation Planning for an average of 800 moves per year
 - Asset Facility Management/Preservation of 20% of the portfolio building condition assessments per annum
 - Environmental Assessments and Inspection and Compliance Monitoring
- Custodial Care
 - Cleaning services for over 335 buildings
- Security and Safety
 - Secure Facilities for over 1345 active locations
 - Control security accesses
 - Ensure a Safe and Healthy environment by performing inspections based on best practices and recommended manufacturers specifications
 - Execute on 20% of the portfolio building condition assessments per annum to ensure facilities meet Security and Life Safety requirements
 - Install Life and Security Devices and resolve security and life safety threats as required
- Energy Management
 - Perform approximately 30 energy and water audits in 2010

- Perform annual energy assessments
- Update and monitor monthly energy data for 8000 accounts
- Negotiate energy supply agreements
- Process payments accurately and on time for energy consumed
- Manage energy retrofits for 50 buildings in 2010
- Waste Management to try and achieve 70% waste diversion target

Real Estate Management

Real Estate Management maximizes lease revenue from City owned properties by negotiating optimal leasing arrangements. They also identify target properties for acquisition or disposal to ensure the City's building portfolio is optimal and focused on meeting the needs of City programs.

- Manage Leases
 - 1,133 leases in the portfolio are managed
 - Negotiate leases in 2010 for approximately 125 leases
 - Create new leases for 40 properties
 - Execute approximately 50 lease renewals
 - Terminate approximately 10 leases
 - Make lease payments of approximately \$20 million
 - Receive lease revenue of approximately \$34 million
- Acquire/Dispose Property
 - Expect to acquire 100 new properties and dispose of approximately 35 properties
 - Negotiate property requirements
 - Identify candidate properties for purchase or sale
 - Assess property value with a 2010 estimate of properties purchased of \$100 million (mostly due to Transit city) and properties disposed of \$5 to \$7 million
- Appraise Property
 - Assess property value of approximately 300 leases
- Manage and develop Real Estate Portfolio as required

Service Objectives

The service objectives for Facilities and Real Estate reflect the Program's commitment to the environment, to providing service which meets or exceeds client expectations and ensuring the City's property portfolio is optimal. The following section outlines the key service objectives for 2010 and beyond:

- **Asset Management:**

- Continue to maintain City facilities in accordance with core service standards negotiated with the occupants and outlined in client service level agreements ensuring compliance with federal, provincial and municipal legislation by implementing the Corporate Facilities Management Review recommendations and new Corporate Facilities Management Framework. This includes transfers of client capital and operating budgets, development of service level agreements and performance metrics to further centralize, improve and standardize facility management tasks.
- Continue to implement all major Council endorsed capital initiatives, with a particular focus on the Union Station operations management services and capital management capacity to ensure this valuable and historical City property is fully restored and optimally utilized to benefit the public and the Nathan Phillips Square Revitalization to ensure a valuable property serving as the seat of Toronto municipal government is fully restored and available for use at the Pan Am Games.
- Continue to address the aging structure of City facilities by investing in state of good repair work and by continuing to perform scheduled maintenance and to respond to unscheduled maintenance issues in order to provide a safe, preventatively maintained environment for clients.
- Implement the Capital Asset Management System (CAMS) and the SAP Preventative Maintenance Module and other functionalities to automate core business processes related to facility work orders, building maintenance, client billing and building inventory management.
- Ensure the City's property portfolio provides the best use of assets for City Programs and meets program requirements, maximize leasing revenues, and work with Build Toronto and Invest Toronto to leverage the City's Real Estate assets in a productive and economically advantageous manner.
- Specific targets in 2010 include:
 - Continue implementation of the new Corporate Facilities Management Framework that includes the transfers of operating and remaining facilities capital project budgets in other City Programs with landlord responsibilities being transferred to Facilities and Real Estate in 2010 and 2011.
 - Update Service Level Agreements with an objective of 95% of facilities maintained in accordance with prescribed use to a core service standard.

- Design and implement client satisfaction surveys.
- **Environmental Stewardship:**
 - Realize significant gains in terms of implementing Climate Change, Clean Air and Sustainable Energy Action Plan (and Toronto's Sustainable Energy Plan) through development of partnerships in the energy efficiency and climate change sectors, community stakeholders involvement and advocating for funding from other levels of government to secure delivery of energy efficiency and renewable energy programs as well as through collaborative efforts with other City Programs and ABCs.
 - Specific targets include:
 - Reduce electricity demand in 2010 by 20 megawatts to ensure energy demand has been reduced by 90 megawatts in 2012
 - Reduce greenhouse gas emissions city-wide, 30% (7.3 million tonnes) by 2020 from the 1990 levels.
 - Continue to implement waste and recycling programs to ensure the waste diversion rate exceeds City targets of 70% by 2010.

2009 Accomplishments

Facilities and Real Estate's major accomplishments in 2009 are highlighted below:

- Enhanced the Ontario Power Authority Master Program Agreement which funds new construction and existing building (MASH and Multi Residential) projects that deliver sustainable electricity demand and/or energy savings for an additional \$20 million which will facilitate 19.0 megawatts of conservation outcomes;
- Launched the Facilities Transformation project which will consolidate the operation and maintenance of City facilities;
- As of May 1st, 2009, took operational responsibility for Union Station;
- Began the implementation phase of the Capital Asset Management System and the Preventative Maintenance system;
- Received LEED certification for the new Police Training facility and BOMA BEST certification for City Hall and Metro Hall facilities;
- Created new Service Level Agreements (SLA) with clients that are instrumental in managing client expectations and achieving operational excellence; and
- The devolution of the Facilities and Real Estate Division to improve effectiveness by creating two divisions with clear lines of authority and organizational focus.

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

(In \$000s)	2008 Actuals	2009 Approved Budget	2009 Projected Actuals*	2009 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	133,578.1	164,872.4	158,206.8	(6,665.6)	(4.0)
REVENUES	79,157.6	109,948.5	103,427.2	(6,521.3)	(5.9)
NET EXP.	54,420.5	54,923.9	54,779.6	(144.3)	(0.3)
Approved Positions	773.0	897.3	897.3	0.0	0.0

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

2009 Budget Variance Analysis

Facilities and Real Estate's Third Quarter Variance report projects that the Program will be \$0.144 million or 0.3% below the 2009 Approved Operating Budget of \$54.924 million by year-end.

- The favorable year-end variance is mainly due to the transfer of Union Station from the Toronto Terminal Railway taking place in May rather than the beginning of the year which resulted in a savings in salaries and benefits and contracted services offset by an under recovery of revenues.
- There was also savings realized in utility costs due to seasonal weather fluctuations.

Impact of 2009 Operating Variance on the 2010 Recommended Budget

- Facilities and Real Estate has identified \$0.815 million in costs for Union Station as contracts for the Property Management Company and contracted custodial services are higher than anticipated. There will also be a loss of revenue from lease space not available for rent in 2010. This has resulted in additional pressures in the 2010 Recommended Operating Budget which will be offset from a contribution from the Union Station Reserve.

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

	2009 Appvd. Budget	2010 Recommended Base	Change 2010 Recommended Base v. 2009 Appvd. Budget		FY Incremental Outlook	
					2011	2012
(In \$000s)	\$	\$	\$	%	\$	\$
GROSS EXP.	164,872.4	168,277.2	3,404.8	2.1	991.8	180.6
REVENUE	109,948.5	114,015.5	4,067.0	3.7	93.1	0.0
NET EXP.	54,923.9	54,261.7	(662.2)	(1.2)	898.7	180.6
Approved Positions	897.3	887.8	(9.5)	(1.1)	0.0	0.0

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
NET BUDGET	54,261.7	54,261.7	(0.1)	52,697.3
PROGRAM REDUCTION (\$)	(2,901.8)	(2,901.8)	(0.0)	(2,746.2)
PROGRAM REDUCTION (%)	(5.3)	(5.3)	(0.0)	(5.0)

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

(In \$000s)	2010 Required Reductions	2011 Required Reductions
2009 Approved Budget (September 30)	54,923.9	
Pressures Reported with 2010 Outlook	2,084.0	1,181.7
Other Pressure not in 2010 Reported Outlook	155.6	
5% Reduction Target	(2,746.2)	(2,746.2)
Additional Pressures not in 2010 Reported Outlook	(155.6)	TBD
Program Reduction Target	(2,901.8)	(2,746.2)
Net Budget Target	54,261.7	52,697.2

2010 Recommended Base Budget

The 2010 Recommended Base Budget of \$168.277 million gross and \$54.262 million net represents a \$0.662 million or 1.2% decrease over Facilities and Real Estate's 2009 Approved Operating Budget of \$54.924 million net. The 2010 Recommended Base Budget includes \$2.241 million in base budget increases, which have been offset by \$2.902 million in budget reductions arising from recommended Service Changes.

The 2010 Recommended Base Budget of \$54.262 million net meets Facilities and Real Estate's 2010 Operating Budget reduction target of \$2.902 million or 5.3% of the 2009 Approved Operating

Budget and includes recommended Program Reductions of \$2.335 million for service efficiencies (\$1.615 million), revenue changes (\$0.404 million) and minor service level changes (\$0.316 million) in 2010.

Approval of the 2010 Recommended Base Budget will result in the Program's total approved complement decreasing from 897.3 to 887.8 approved positions by eliminating 9.5 permanent approved positions as a result of service changes recommended for 2010.

2010 Base Budget Key Cost Drivers

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

- Salary pressures including COLA of \$0.908 million, progression pay and step increases of \$0.306 million and associated Fringe benefit adjustments of \$0.395 million.
- Non-salary inflationary increases of \$1.368 million.
- An increased contribution to the reserve for fleet replacement of \$0.124 million, loss of revenue of \$0.025 million and increased telecom charges of \$0.007 million.

The cost drivers noted above will be partially off-set by the following savings included in the 2010 Recommended Base Budget:

- Increased charges to clients for services based on applicable economic and salary pressures of \$0.893 million, as well as additional recoveries from various clients of \$0.430 million for services provided.
- Reduction in fuel charges from Fleet Services for a savings of \$0.041 million to reflect lower rates budgeted for gas and diesel.
- Salary and benefit savings of \$0.051 million and an adjustment to gapping of \$0.046 million resulting from a detailed review of salaries and benefits across the Program.

2010 Service Changes

Facilities and Real Estate's 2010 Recommended Base Budget includes service change savings of \$2.902 million representing 5.3% of the 2009 Approved Budget with incremental savings of \$0.283 million to be realized in 2011. The recommended 2010 service changes are comprised of \$0.567 million in base change savings noted above and \$2.335 million in savings comprised of \$1.615 million in service efficiencies, \$0.404 million in revenue changes and \$0.316 million in minor service level changes.

The 2010 Recommended service changes are summarized below:

Service Efficiencies

- Reduction in Real Estate overtime, summer students and casual staffing budgets for savings of \$0.125 million.

- Reduction in overtime for Facilities Management for savings of \$0.113 million.
- Adjustment to temperatures at corporate facilities for savings in utility costs of \$0.464 million.
- Savings of \$0.215 million from reducing the amount of materials and supplies kept in inventory.
- Reduction of 1 permanent vacant Building Operator position, effective Jan 1, 2010, responsible for Building Maintenance in Civic Centres for savings of \$0.065 million.
- Tax savings of \$0.250 million for Facilities and Real Estate managed properties.
- Reduction of 1 Facilities and Real Estate approved position for forecasted savings of \$0.075 million.
- Reduction of 1.5 Facilities and Real Estate approved positions for forecasted savings of \$0.195 million.
- Reduction of 2 Facilities and Real Estate approved positions for forecasted savings of \$0.113 million.

Revenue Changes

- Additional external lease revenues for upcoming lease renewals of \$0.184 million.
- A recovery of \$0.220 million in costs for the Real Estate Tax Assessment supervisor and analyst positions that generate savings/revenues City-wide for City owned and leased properties.

Minor Service Changes

- Reduction of 2 Facilities and Real Estate approved positions for forecasted savings of \$0.116 million.
- Reduction of 2 Facilities and Real Estate approved positions for forecasted savings of \$0.200 million.

Please refer to Part V for a discussion regarding the 2010 Recommended Service Changes.

2011 and 2012 Outlook: Net Incremental Impact

Approval of the 2010 Recommended Base Budget for Facilities and Real Estate will result in a 2011 incremental cost of \$0.992 million gross and \$0.899 million net and a 2012 incremental cost of \$0.181 million. Future year costs are primarily attributed to the following:

- The 2011 Outlook is comprised of an estimate for COLA, progression pay and step increases of \$1.182 million offset by 2010 annualized service change savings of \$0.283 million.
- The Program will be required to mitigate any new net 2011 pressures and investigate further reductions to meet the 5% target for 2011. Facilities and Real Estate will continue to develop options for inclusion in the 2011 Operating Budget process.

- The 2012 Outlook is comprised of an estimate for progression pay and step increases of \$0.181 million gross.

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

Description	2010 Recommended Service Changes				Net Incremental Impact	
	Position Change	Gross Exp.	Net Exp.	% Change over 2009 Budget	2011	
	#	\$	\$	#	\$	# Pos
Base Change Summary	0.0	(137.2)	(567.2)	-1.0%	0.0	0.0
Service Efficiencies:						
Reduce Real Estate Budget for Overtime, Summer Students and Casual Staff		(125.0)	(125.0)	-0.2%		
Reduce Facilities Budget for Overtime		(112.5)	(112.5)	-0.2%	(105.3)	
Reduce Utilities Budget		(464.0)	(464.0)	-0.8%	(26.0)	
Reduction in Materials and Supplies		(215.0)	(215.0)	-0.4%		
Real Estate Tax Savings		(250.0)	(250.0)	-0.5%		
Reduction in Building Maintenance Services	(1.0)	(65.0)	(65.0)	-0.1%		
Reduction of 1 F&RE Approved Position	(1.0)	(75.0)	(75.0)	-0.1%		
Reduction of 2 F&RE Approved Positions	(2.0)	(113.4)	(113.4)	-0.2%	(18.6)	
Reduction of 1.5 F&RE Approved Positions	(1.5)	(195.0)	(195.0)	-0.4%		
Revenue Changes:						
Additional External Lease Revenues			(184.0)	-0.3%	(93.1)	
Recovery of Real Estate Positions on Tax Assesment			(219.7)	-0.4%		
Minor Service Level Changes:						
Reduction of 2 F&RE Approved Positions	(2.0)	(200.0)	(200.0)	-0.4%		
Reduction of 2 F&RE Approved Positions	(2.0)	(116.0)	(116.0)	-0.2%	(40.0)	
Sub-Total Service Changes	(9.5)	(1,930.9)	(2,334.6)	-4.3%	(283.0)	0.0
Total Changes	(9.5)	(2,068.1)	(2,901.8)	-5.3%	(283.0)	0.0

2010 Recommended Service Changes

The budgetary impact of implementing the following service changes are included in the 2010 Recommended Base Budget, with savings estimated at \$2.902 million in 2010 and incremental impacts of \$0.283 million in 2011. Approval of the recommended service changes will result in a reduction of 9.5 approved positions reducing Facilities and Real Estate's complement to 887.8 in 2010. Included in the \$2.902 million in savings is \$0.567 million in reductions and revenues applied to the base budget, which will have no impact in the level of service provided by the Program in 2010.

Service Changes

The following 13 recommended service adjustments included in Facilities and Real Estate's 2010 Recommended Base Budget, resulting in 2010 savings of \$2.335 million net are discussed below.

Service Efficiencies

Reduce Real Estate Budget for Overtime, Summer Students and Casual Staff

The 2010 Recommended Operating Budget for Facilities and Real Estate includes savings of \$0.125 million in salaries and benefits. Currently, some of the staff is required to work overtime to meet deadlines and summer students and casual staffs are hired to assist during the peak time to work on special projects. The Program will maintain 2009 service levels as the work load will be distributed to the existing staff, although in peak periods, some work may take longer to complete.

Reduce Facilities Budget for Overtime

The 2010 Recommended Operating Budget for Facilities and Real Estate includes savings of \$0.113 million in salaries and benefits in 2010, with additional savings in 2011 of \$0.105 million by reducing overtime for facilities staff. There will be no impact to current service level as the work load will be distributed to the existing staff. However, it may cause some deadlines to not be met during peak periods.

Reduce Utilities Budget

Currently, temperatures during the cooling and heating season are set at 24 and 21 degrees respectively. By adjusting the temperature levels in all Corporate Facilities, during the winter and summer months, there will be a savings of \$0.464 million in 2010 with 2011 incremental savings of \$0.026 million. The temperature will be reduced to 18 degrees in the winter and increased to 26 degrees in summer. The temperatures fall within Public Health Guidelines.

Reduction in Materials and Supplies

Facilities operations and custodial care have a stock level of inventory on hand for supplies to clean and maintain facilities. By lowering the amount of inventory and purchasing on an as needed basis, savings of \$0.215 million will be realized in 2010.

Real Estate Tax Savings

The Real Estate Tax Unit ensures that the City's portfolio of City-owned properties have the correct tax assessment. It is estimated that there will be \$0.250 million realized in tax savings for Real Estate properties in 2010 through identification of improper assessment.

Reduction in Building Maintenance Services

The 2010 Recommended Operating Budget includes the reduction of 1 currently vacant permanent Building Operator position, effective Jan 1, 2010, for savings of \$0.065 million. The responsibility of the position is for building operations coverage at Civic Centres. Existing resources will be redistributed; however there may be longer wait times on service calls and deferral of routine maintenance.

Reduction of 1 Facilities and Real Estate Approved Position

The 2010 Recommended Operating Budget for Facilities and Real Estate includes savings of \$0.075 million from the reduction of 1 permanent position, effective Jan 1, 2010. Please refer to the confidential attachment 1.

Reduction of 2 Facilities and Real Estate Approved Positions

The 2010 Recommended Operating Budget for Facilities and Real Estate includes savings from the reduction of 1 vacant permanent position, effective Jan 1, 2010 and 1 permanent position, effective July 1, 2010, for savings of \$0.113 million in 2010 with net incremental savings of \$0.019 million in 2011. Please refer to the confidential attachment 1.

Reduction of 1.5 Facilities and Real Estate Approved Positions

Facilities and Real Estate is forecasting savings of \$0.195 million, effective Jan 1, 2010, from the reduction of 1.5 permanent positions. Please refer to the confidential attachment 1.

Revenue Changes*Additional External Lease Revenues*

Facilities and Real Estate administers lease agreements with third parties and ensures that lease agreements are updated upon renewal to reflect market conditions. There are various properties up for renewal, such as 511 Richmond St. W and 399 West Mall Café, which are owned by the City. Renewals in 2010 are expected to generate an additional \$0.184 million in revenue and \$0.093 million in 2011.

Recovery for 2 Real Estate Positions working on Tax Assessment

Since April of 2008, Facilities and Real Estate has been operating the Centre for Tax and Assessment. The unit is comprised of one Supervisor and one Financial Analyst who ensure the assessments of City owned properties are correct. The Centre provides expertise on behalf of all divisions and has generated tax savings/revenue to date of approximately \$5 million. These benefits are being realized by various City Programs and the tax revenues flow through the Non-Program Revenue Budget. The salary and benefit costs of this unit will be recovered from that Budget for savings to Facilities and Real Estate of \$0.220 million.

Minor Service Level Changes*Reduction of 2 Facilities and Real Estate Approved Positions*

The 2010 Recommended Operating Budget includes \$0.200 million in savings from the reduction of 2 permanent positions, effective Jan 1, 2010. Please refer to the confidential attachment 1.

Reduction of 2 Facilities and Real Estate Approved Positions

This Recommended minor service level change proposes the reduction of 2 permanent positions, effective April 1, 2010, resulting in savings of \$0.116 million in 2010 with incremental savings of \$0.040 million in 2011. Please refer to the confidential attachment 1.

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

(In \$000s)

Description	2010 Recommended			Net Incremental Impact			
	Gross Exp.	Net Exp.	New Positions	2011		2012	
	\$	\$	#	\$	# Pos	\$	# Pos
Enhanced Services:							
(a) Enhanced Services - Council Approved							
(b) Enhanced Services - Program Initiated							
Custodial Services for Toronto Police	196.6	0.0	3.6				
Building Operators for Toronto Police	96.0	0.0	2.0				
Custodial Services for Children Services	50.8	0.0	1.0				
Security Positions for Toronto Water	59.8	0.0	1.0				
Custodial Services for City Clerks	255.2	0.0	1.5				
FPARS - Sr. Business & Systems Analyst	85.0	0.0	1.0				(1.0)
Sub-Total Enhanced Services	743.4	0.0	10.1	0.0	0.0	0.0	(1.0)
New Services:							
(a) New Services - Council Approved							
Acquisition Projects (819 Sheppard Ave)	34.0	0.0	0.0				
(b) New Services - Program Initiated							
Fuel Purchasing Program	80.5	0.0	1.0				
Communications & Marketing Consultant - Union St	72.4	0.0	1.0				
SAP Real Estate Leasing	80.5	0.0	1.0				
SAP Preventative Maintenance	341.5	0.0	4.0				
Sub-Total New Services	608.9	0.0	7.0	0.0	0.0	0.0	0.0
Total Enhanced/New Services	1,352.3	0.0	17.1	0.0	0.0	0.0	(1.0)

2009 Recommended New / Enhanced Service Priority Actions**Enhanced Service Priority Actions*****Program Initiated******Custodial Service for Toronto Police Services (TPS)***

An additional 3.6 permanent positions are required to provide the requested custodial services for Toronto Police Services (TPS) for a variety of locations:

- C.O. Bick College requires 2.4 new positions in order to maintain the facility for its new intended use. The college was closed in September 2009 and all staff were transferred to the new college at 70 Birmingham. However, TPS has requested that cleaning services be continued at C.O. Bick College as it will remain open as a swing building for 100 TPS staff.
- 951 Wilson Ave requires an additional 0.2 positions to meet increased service demands as the population and use of the facility has increased.
- The Police Intelligence Unit was renovated in 2009 and the area has almost doubled. Due to the change in density, traffic and space, an additional position is required for this location.

Further, the TPS has purchased and installed approximately 150 hand sanitizers for all police stations, headquarters and other buildings and Facilities and Real Estate will be responsible for the maintenance of these units in 2010 which increases the costs of materials and supplies.

The services outlined above will be provided on a cost recovery basis and the 2010 impact is \$0.197 million gross, \$0 net with a 2011 incremental impact of \$0.103 million gross, \$0 net.

Building Operators for Toronto Police

In 2010, the TPS facility at 70 Birmingham will become fully operational. An additional 2 permanent Building Operator positions are required to perform all the necessary functions that will keep the property up to standard. The service will be provided on a cost recovery basis and the 2010 impact is \$0.096 million gross, \$0 net with a 2011 incremental impact of \$0.051 million gross, \$0 net.

Custodial Service for Children Services

An additional permanent position is required to provide requested custodial services for Children Services at the Thomas Berry Daycare Centre. This centre had service suspended in 2008. The service will be provided on a cost recovery basis and the 2010 impact is \$0.051 million gross, \$0 net with a 2011 incremental impact of \$0.022 million gross, \$0 net.

Security Positions for Toronto Water

In order to maintain the service level agreement for security services at F J Horgan, located at 201 Copperfield Road, an additional permanent security position is required. This service priority will result in higher overall security management and coordination and will also provide additional protection for the facility. The service will be fully funded by the client and the 2010 impact is \$0.060 million gross, \$0 net with a 2011 incremental impact of \$0.030 million gross, \$0 net.

Custodial Services for City Clerks

City Clerks have opened a new printing facility located at 2 Hobson and has requested that custodial services be provided. An additional 1.5 permanent custodial positions for this location are required to meet the service level agreement. There will also be additional utility costs for this building. The service will be provided on a cost recovery basis and the 2010 impact is \$0.255 million gross, \$0 net.

FPARS – Senior Business and Systems Analyst

The Financial Planning Analysis and Reporting System (FPARS) project will deliver a new multi-year, service-based budgeting system that will use performance measures as part of the budget process and will deliver a strategy for the City of Toronto for Enterprise Performance Management. A significant project team is required to implement the project.

The project has identified a need for 1 temporary Senior Business and System Analyst from Facilities and Real Estate for 16 months to support implementation. The position will be funded from the 2010 Approved Capital Budget and 2011-2019 Capital Plan for Financial Services. The 2010 impact is \$0.085 million gross, \$0 net with 2011 incremental impact of (\$0.010) million gross, \$0 net. The position will not be required in 2012.

New Service Priority Actions***Council Approved****Acquisition Projects (819 Sheppard Ave)*

The report from the CCO dated October 7, 2009 entitled “*Acquisition of Toronto District School Board’s 819 Sheppard Avenue West Site*” was approved by City Council at its meeting of October 27, 2009 and will result in the purchase of land from the Toronto District School Board. The land contains a building which is currently leased to a private school. Facilities and Real Estate is assuming the administration of the lease. There will be ongoing capital repairs required for this property and these costs will be funded from the net lease revenues. The net revenue surplus is estimated to be approximately \$0.034 million. The new revenue is a net \$0 impact to Facilities and Real Estate’s Operating Budget.

Program Initiated*Fuel Purchasing Program*

The Energy and Waste Management Office provides waste/recycling management services and electricity and natural gas purchase/hedge programs for Facilities and Real Estate facilities and all City ABCD’s. The unit will be expanding to include a new Fuel Purchasing and Hedging Program to mitigate the City’s risk in fuel purchases.

An additional permanent position is required to implement this new program and to provide hedging on Fuel through monitoring the markets and other initiatives. The 2010 impact is \$0.081 million gross, \$0 net with 2011 incremental costs of \$0.040 million gross, \$0 net. The costs will be funded from the savings in fuel costs realized by the City’s Programs.

Communications and Marketing Consultant – Union Station

Facilities and Real Estate is responsible for the revitalization of Union Station; ensuring that this valuable and historical City property is fully restored and optimally utilized to benefit the public.

In order to ensure that target deliverables for the revitalization are met in an effective manner and there is stakeholder awareness and buy-in, there is a requirement for one additional temporary position that will be in charge of communications and marketing for Union Station. The position will develop and co-ordinate large-scale communications strategies from conception to plan implementation, evaluate the effectiveness of communications strategies, and develop a variety of communications products and staff training material. The 2010 impact is \$0.072 million gross, \$0 net, with a 2011 incremental cost of \$0.034 million gross, \$0 net. Funding will be provided from the 2010 Approved Capital Budget and 2011-2019 Capital Plan for Union Station.

SAP Real Estate Leasing - Senior Business & System Analyst for Parks, Forestry and Recreation (PF&R)

Parks, Forestry and Recreation (PF&R) have recently implemented a SAP Real Estate Leasing module to manage their lease portfolio. Facilities and Real Estate (F&RE) led the project and provided key functional resources to undertake the implementation. Continued support, training and system enhancement initiatives are required by PF&R to help migrate all the leases into SAP. It was agreed upon by both parties that Facilities and Real Estate would continue to provide the needed support.

An additional temporary position is required to provide this support and will be funded by PF&R on a cost recovery basis until no longer required by PF&R. The 2010 impact is \$0.081 million gross, \$0 net with a 2011 incremental impact of \$0.040 million gross, \$0 net.

SAP Preventive Maintenance

Facilities and Real Estate is implementing preventive maintenance functionality that expands on the existing SAP Plant Maintenance implementation. The project will allow City staff to better manage the workload associated with regular scheduled maintenance for large building systems. The project will also enable the Facilities Operations staff to create, and update work order and asset data while mobile, allow for real-time data visibility at the district headquarters and improve client visibility of work completion.

An additional 4 temporary positions is recommended to conduct the necessary work for implementation and functionality. The expected length of the project is more than 3 years. The 2010 impact is \$0.342 million gross, \$0 net, with 2011 annualized cost of \$0.161 million gross, \$0 net. Funding will be provided from the 2010 Approved Capital Budget and 2011-2019 Capital Plan for Facilities and Real Estate.



2010 Budget Issues

Client Service Levels

Facilities and Real Estate is committed to provide safe, clean, preventatively maintained facilities in accordance with core service standards negotiated with the occupants and outlined in client service level agreements. Under the current financial constraints that clients are facing in 2010, it will be challenging for Facilities and Real Estate to ensure that they provide the requested service at the budgeted amount. The Program will monitor their expenditures carefully throughout 2010 to ensure that spending can be recovered and that service levels are met.

2011 and Future Year Issues

2011 Reduction Target

Facilities and Real Estate has not submitted options that achieve the 2011 reduction target of \$2.746 million or 5% of the 2009 Approved Operating Budget. The Program will continue to develop options through 2010 for consideration during the 2011 Operating Budget process.

Facilities Transformation Project

A corporate facilities management and governance review was conducted in 2007 and 2008, to address issues raised by the Auditor General in 2005. This resulted in a Corporate Facilities Management Framework which acknowledges that Facilities and Real Estate is the corporate body responsible for setting the standards for ensuring that all City-owned facilities are operated and maintained in a manner that meets operating needs and protects these assets into the future. This will involve the centralization of facilities capital and facilities operating budgets for various City Programs.

Further, City Council, at its meeting of April 29 and 30, 2009 adopted the report *City-Wide Security Plan* which directed the Facilities and Real Estate's Corporate Security Unit be the corporate body responsible for City-owned or operated facilities/properties. This initiative will be coordinated with the Facilities Management Framework such that all security operating and capital budgets will be transferred to Facilities and Real Estate.

In 2010, the proposed sequence of operating transfers will be reviewed. It is anticipated that for 2011, four City Programs will have their facilities operating budgets transferred, with the remainder identified in 2012 and 2013. This will be a significant process and the timelines are a work in progress.

The transferring of the operating budgets will impact Facilities and Real Estate's 2011 Operating Budget substantially in terms of gross and net expenditures, staffing, as well as service levels.

Appendix A

2010 Recommended Base Budget Changes vs. 2009 Approved Budget

(In \$000s)	Summary of 2010 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2011	2012
		\$	\$	\$	\$	\$
2009 Council Approved Operating Budget	895.3	163,961.1	109,860.6	54,100.5	0.0	0.0
Technical Adjustments		191.4		191.4		
In-Year Budget Adjustments	2.0	719.9	87.9	632.0		
2009 Approved Operating Budget	897.3	164,872.4	109,948.5	54,923.9	0.0	0.0
Prior Year Impacts:						
Annualizations from Prior Year		957.9	957.9			
Reversals from Prior Year		(43.0)	(43.0)			
Operating Impacts of Capital						
Zero Base Items						
Economic Increases:						
Salary		1,609.2		1,609.2	1,181.7	180.6
Non Salary		1,368.0		1,368.0		
Adjusted Base Budget	897.3	168,764.5	110,863.4	57,901.1	1,181.7	180.6
Base Expenditure Changes		1,443.6	2,773.1	(1,329.5)		
Base Revenue Changes			(24.7)	24.7		
2010 Base Budget Prior to Service Changes	897.3	170,208.1	113,611.8	56,596.4	1,181.7	180.6
Recommended Service Changes:						
Service Efficiencies	(5.5)	(1,614.9)		(1,614.9)	(149.9)	
Revenue Changes			403.7	(403.7)	(93.1)	
Minor Service Level Changes	(4.0)	(316.0)		(316.0)	(40.0)	
Major Service Level Changes						
Total Recommended Base Changes	(9.5)	(1,930.9)	403.7	(2,334.6)	(283.0)	0.0
2010 Recommended Base Budget	887.8	168,277.2	114,015.5	54,261.7	898.7	180.6

Appendix B

Summary of Service Changes

Appendix C

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

Appendix D

Program Summary by Expenditure Category

CLUSTER: Internal Services PROGRAM: Facilities and Real Estate							
	2009 Approved Budget	2009 Projected Actuals	2010 Recommended Budget	Change from 2009 Approved Budget		2011 Outlook	2012 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	72,998.1	72,978.3	75,524.7	2,526.5	3.5%	76,966.9	77,072.5
Materials and Supplies	30,850.9	27,765.9	31,183.3	332.5	1.1%	31,181.3	31,181.3
Equipment	1,256.1	1,256.1	1,298.5	42.4	3.4%	1,299.2	1,299.2
Services & Rents	46,856.1	43,295.3	48,511.4	1,655.3	3.5%	48,534.9	48,534.9
Contributions to Capital	10,242.8	10,242.8	10,242.8	0.0	0.0%	10,242.8	10,242.8
Contributions to Reserve/Res Funds	1,091.5	1,091.5	1,249.1	157.5	14.4%	1,249.1	1,249.1
Other Expenditures	18.1	18.1	18.1	0.0	0.0%	18.1	18.1
Interdivisional Charges	1,558.8	1,558.8	1,601.6	42.8	2.7%	1,601.6	1,601.6
TOTAL GROSS EXPENDITURES	164,872.4	158,206.8	169,629.5	4,757.1	2.9%	171,093.9	171,199.5
Interdivisional Recoveries	43,951.2	41,855.0	46,692.5	2,741.3	6.2%	47,141.0	47,141.0
Provincial Subsidies	458.5	458.5	458.5	0.0	0.0%	458.5	458.5
Federal Subsidies							
Other Subsidies							
User Fees & Donations	35,833.7	31,432.7	34,722.8	(1,111.0)	(3.1%)	34,815.9	34,815.9
Transfers from Capital Fund	5,688.5	5,654.2	7,154.7	1,466.2	25.8%	7,178.8	7,103.8
Contribution from Reserve Funds	13,340.8	13,340.8	17,393.3	4,052.5	30.4%	17,393.3	17,393.3
Contribution from Reserve							
Sundry Revenues	10,675.7	10,686.0	8,945.9	(1,729.7)	(16.2%)	8,945.9	8,945.9
TOTAL REVENUE	109,948.5	103,427.2	115,367.8	5,419.3	4.9%	115,933.5	115,858.5
TOTAL NET EXPENDITURES	54,923.9	54,779.6	54,261.7	(662.2)	(1.2%)	55,160.4	55,341.0
APPROVED POSITIONS	897.3	897.3	904.9	7.6	0.8%	904.9	903.9

Appendix E

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Balance as of December 2009	Proposed Withdrawals (-) / Contributions (+)		
			2010	2011	2012
		\$	\$	\$	\$
Vehicle & Equip Replacement Reserve	XQ0003	11,035.7	317.8	317.8	317.8
Insurance Reserve Fund	XR1010	32,534.1	897.3	897.3	897.3
Land Acquisition Reserve Fund	XR1012	85,305.4	(536.0)	(536.0)	(536.0)
Union Station Reserve Fund	XR2501	9,001.9	(2,879.8)	(2,879.8)	(2,879.8)
Energy Conservation Reserve Fund	XR1715	12,209.1	(232.8)	(232.8)	(232.8)
Green Energy Reserve Fund	XR1716	5,720.1	(329.3)	(329.3)	(329.3)
Conservation Management Reserve Fund (OPA funding)	XR3029	336.8	(13,381.4)	(13,381.4)	(13,381.4)
Total Reserve / Reserve Fund Draws / Contributions			(16,144.2)	(16,144.2)	(16,144.2)