



City Budget
2012

Facilities Management and Real Estate Operating Budget Analyst Notes

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

2012 Operating Budget

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

TABLE OF CONTENTS

| | |
|---|-----|
| PART I: RECOMMENDATIONS | 3 |
| PART II: 2012 SERVICE OVERVIEW AND PLAN | |
| Program Map and Service Profiles..... | 4 |
| 2012 Recommended Service Levels | 5 |
| 2012 Service Deliverables | 7 |
| PART III: 2012 RECOMMENDED BASE BUDGET | |
| 2012 Recommended Base Budget | 8 |
| 2012 Recommended Service Changes | 10 |
| 2013 and 2014 Outlook | 13 |
| PART IV: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS | |
| 2012 Recommended New/Enhanced Service Priority Actions | 14 |
| PART V: ISSUES FOR DISCUSSION | |
| 2012 and Future Year Issues | 17 |
| Issues Referred to the 2012 Operating Budget Process | N/A |
| APPENDICES | |
| Appendix 1: 2011 Performance | 18 |
| Appendix 2: 2012 Recommended Operating Budget by Expenditure Category and Key Cost Drivers | 21 |
| Appendix 3: Summary of 2012 Recommended Service Changes | 23 |
| Appendix 4: Summary of 2012 Recommended New/Enhanced Service Priority Actions | 24 |
| Appendix 5: Inflows / Outflows to/ from Reserves and Reserve Funds | 25 |

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

Jim Carey
Senior Financial Planning Analyst
Tel: (416) 397-4533

PART I: RECOMMENDATIONS

2012 Recommended Operating Budget (In \$000s)

| (In \$000s) | 2011 | | 2012 Recommended Operating Budget | | | Change - 2012 Recommended Operating Budget v. 2011 Appvd. Budget | | FY Incremental Outlook | |
|---------------------------|--------------------|-----------------------|-----------------------------------|------------------------|------------------|--|--------|------------------------|-------|
| | 2011 Appvd. Budget | 2011 Projected Actual | 2012 Rec. Base | 2012 Rec. New/Enhanced | 2012 Rec. Budget | | | 2013 | 2014 |
| | \$ | \$ | \$ | \$ | \$ | | | \$ | \$ |
| GROSS EXP. | 171,122.2 | 177,488.7 | 173,324.8 | 2,425.1 | 175,749.9 | 4,627.7 | 2.7 | 1,226.0 | 287.0 |
| REVENUE | 116,879.3 | 124,773.6 | 121,023.7 | 1,960.6 | 122,984.3 | 6,105.0 | 5.2 | 150.0 | |
| NET EXP. | 54,242.9 | 52,715.1 | 52,301.1 | 464.5 | 52,765.6 | (1,477.3) | (2.7) | 1,076.0 | 287.0 |
| Approved Positions | 919.8 | 919.8 | 790.8 | 8.8 | 799.6 | (120.2) | (13.1) | | |

| Target Comparison | 10% Reduction Target | 2012 Rec.'d Reduction | 2012 10% Reduction vs. 2012 Rec'd Reduction | Target % |
|-------------------|----------------------|-----------------------|---|----------|
| 2012 Reductions | (5,378.6) | (5,378.6) | 0.0% | 10.0% |

Recommendations

The City Manager and Chief Financial Officer recommend that:

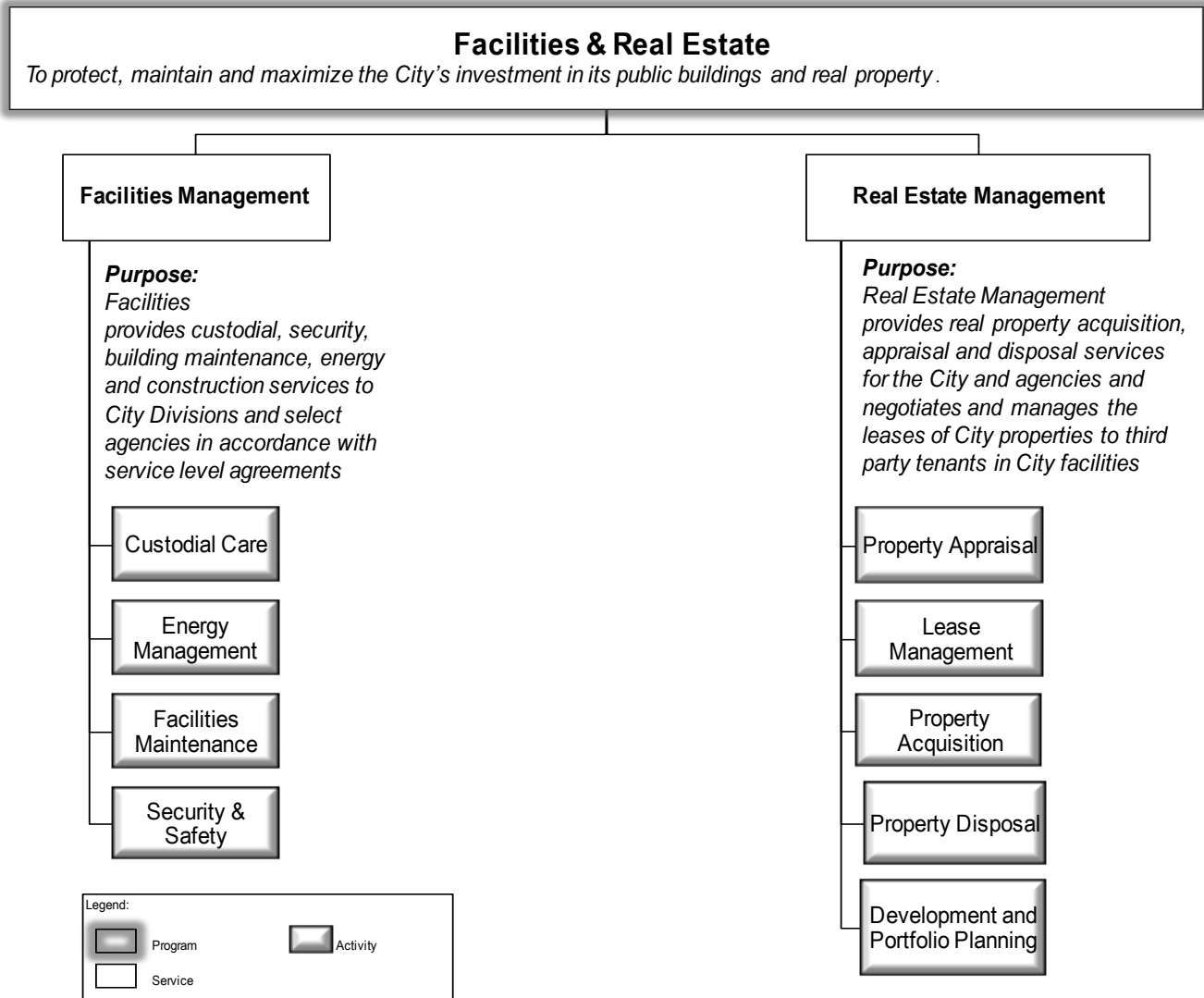
1. City Council approve the 2012 Recommended Operating Budget for Facilities Management and Real Estate of \$175.750 million gross and \$52.766 million net, comprised of the following services:

| <u>Service(s)</u> | <u>Gross</u> <u>(\$000s)</u> | <u>Net</u> <u>(\$000s)</u> |
|-----------------------|---------------------------------|-------------------------------|
| Facilities Management | 149,706.2 | 79,399.1 |
| Real Estate | <u>26,043.6</u> | <u>(26,633.3)</u> |
| Total Program Budget | <u>175,749.8</u> | <u>52,765.8</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.

PART II: 2012 SERVICE OVERVIEW AND PLAN

Program Map and Service Profiles



Facilities Management

- Visitors
- Residents
- City Employees
- Agencies,
- City Divisions
- Community Groups
- Provincial and Federal agencies
- Residential / commercial tenants
- Toronto building owners

Real Estate Management

- Visitors
- Residents
- City employees
- Agencies
- City Divisions
- Community Groups
- Provincial and Federal agencies
- Residential / commercial tenants
- Toronto building owners.

2012 Recommended Service Levels

The chart below shows the 2012 Proposed Service Levels which are unchanged from the Approved Service Levels for 2011:

| Service | Activity | Type | Sub-Type | 2011 Current Service Level | 2012 Proposed Service Level | |
|-----------------------|------------------------|--|------------------------------------|--|--|------------------|
| Facilities Management | Energy Management | Energy supply agreements | | Uninterrupted utility service as a result of contracting 100% of the time. | Uninterrupted utility service as a result of contracting 100% of the time. | |
| | | Energy retrofits | | Savings up to 25% of building energy use. | Savings up to 25% of building energy use. | |
| | | Administer loan programs | | 100% loan repayments are received on time with no load defaults. | 100% loan repayments are received on time with no load defaults. | |
| | | Funding agreements | | Average 22 MW per year. | Average 22 MW per year. | |
| | | Waste management | | | | |
| | | Renewable Energy | | 2 million kW.h generated and related revenues created. | 2 million kW.h generated and related revenues created. | |
| | Security & Safety | Divisional Security Plans | | | 95% compliance | 95% compliance |
| | | | Implementation of Security Plans | | 95% compliance | 95% compliance |
| | | Resolve Security threats | | | 95% compliance | 95% compliance |
| | Custodial Care | Cleaning | | | 90% compliance | 90% compliance |
| | Facilities Maintenance | Facilities Maintenance | Scheduled Maintenance-Preventative | | 95% compliance | 95% compliance |
| | | | Unscheduled Maintenance-On Demand | | 90% compliance | 90% compliance |
| | | Space planning & accommodation | | | | |
| | | Asset Facility Management / Preservation | | | 90% compliance | 90% compliance |
| | | Environmental assessments | | | 95% % compliance | 95% % compliance |
| | | Regulatory Compliance | | | 100 % compliance | 100 % compliance |

| Service | Activity | Type | Sub-Type | 2011 Current Service Level | 2012 Proposed Service Level |
|----------------------|---|--------------------------|----------------------------|----------------------------|-----------------------------|
| Real Estate Services | Property Appraisal | Properties Appraised | | 90 % compliance | 90 % compliance |
| | Lease Management | Property Leasing | | 95 % compliance | 95 % compliance |
| | | Negotiate new leases | | 95 % compliance | 95 % compliance |
| | | Renew leases | | 95 % compliance | 95 % compliance |
| | | Terminate leases | | 100% compliance | 100% compliance |
| | | Lease Payments | | 100 % compliance | 100 % compliance |
| | | Receive Lease Revenue | | 95 % compliance | 95 % compliance |
| | | Property Assessment | Property Assessment Review | 100 % compliance | 100 % compliance |
| | | Savings & Revenues | 100 % compliance | 100 % compliance | |
| | Development & Portfolio Planning | Planning and Development | Review Property Portfolio | 100 % compliance | 100 % compliance |
| Property Disposal | Real Estate Disposal | Market Rates | 100% compliance | 100% compliance | |
| Property Acquisition | Real Estate Acquisitions and Expropriations | | 80 % compliance | 80 % compliance | |

2012 Service Deliverables

The 2012 Operating Budget of \$175.750 million gross and \$52.766 million net will provide funding to:

- Maintain City facilities in accordance with approved maintenance standards to meet client service requirements.
- Continue to implement key recommendations of the Facilities Governance Review under the Facilities Transformation Project.
- Implement updates to the Service Level Agreements (SLA's) with client programs.
- Monitor and promote the use of standard facilities protocols under the Facilities Maintenance Standards within City programs.
- Develop and implement Council priority capital projects including: Union Station Redevelopment, Nathan Phillips Square Redevelopment and St Lawrence Market North.
- Complete the Yard Property Utilization Study and audit all City-owned properties to determine which are surplus to City needs and can be sold or used for other opportunities.
- Ensure City's property portfolio is optimal and meets program requirements by continuing to work with Build Toronto and Invest Toronto to leverage the City's Real Estate assets in a productive and economically advantageous manner.
- Complete energy efficiency building retrofits under the Better Buildings Partnership.
- Continue to facilitate the development of renewable energy projects on City owned facilities and in the community.
- Assist in reducing greenhouse gas emissions city-wide 30% by 2020 (7.3 million tonnes) from 1990 base year.
- Administer the Sustainable Energy Funds comprised of two distinct funds (Toronto Energy Conservation Fund and Toronto Green Energy Fund).
- Administer the BBP Loan Repayment Reserve Fund.
- Ensure waste diversion rate maintained and exceeds City targets of 70% by reviewing programs to target buildings with low diversion rate and working with ABCDs to implement similar programs to meet City targets.
- Work in partnership with Toronto Hydro to install jointly-owned solar panels on approximately 20 City buildings.

PART III: RECOMMENDED BASE BUDGET

2012 Recommended Base Budget (In \$000s)

| (In \$000s) | 2011 Appvd. Budget | 2012 Recommended Base | Change 2012 Recommended Base v. 2011 Appvd. Budget | | FY Incremental Outlook | |
|---------------------------|-----------------------|-----------------------------|--|--------|------------------------|------------|
| | | | \$ | % | 2013 \$ | 2014 \$ |
| GROSS EXP. | 171,122.2 | 173,324.8 | 2,202.6 | 1.3 | 1,226.0 | 287.0 |
| REVENUE | 116,879.3 | 121,023.7 | 4,144.4 | 3.5 | 150.0 | - |
| NET EXP. | 54,242.9 | 52,301.1 | (1,941.8) | (3.6) | 1,076.0 | 287.0 |
| Approved Positions | 919.8 | 790.8 | (129.0) | (14.0) | 790.8 | |

| Target Comparison | 10% Reduction Target | 2012 Rec.'d Reduction | 2012 1Rec'd Reduction vs. 2012 10% Reduction Target | Target % |
|------------------------|----------------------------|--------------------------|---|-------------|
| 2012 Reductions | (5,378.6) | (5,378.6) | 0.0 | 10.0% |

2012 Recommended Base Budget

- The 2012 Base Budget of \$173.325 million gross and \$52.301 million net represents a \$1.942 million or 3.6% decrease over the 2011 Operating Budget of \$54.243 million net.
- The 2012 Base Budget of \$52.301 million net includes Program budget reductions of \$5.378 million or 10.0% of the 2011 Approved Operating Budget. This is equal to the Facilities Management and Real Estate's 2012 reduction target of \$5.378 million.
- Service changes of \$5.378 million include base budget savings of \$0.487 million net, service efficiency savings of \$3.823 million and revenue adjustments of \$1.069 million.
- Approval of the 2012 Operating Budget reflects the deletion of 129.0 positions. The total staff complement will decrease from 919.8 to 790.8 positions as highlighted below:

2012 Recommended Staff Complement – Base Budget Summary

| Changes | Staff Complement |
|--|-------------------------|
| 2011 Approved Positions | 919.8 |
| - 2011 In-year Adjustments | |
| 2011 Approved Staff Complement | 919.8 |
| 2012 Recommended Staff Complement Changes | |
| - 2012 Base Changes | (4.9) |
| - 2012 Operating Impacts of completed Capital Projects | |
| - 2012 Service Changes | (124.1) |
| Total Recommended Positions | 790.8 |

2012 Recommended Service Change Summary

(In \$000s)

| Description | 2012 Recommended Service Changes | | | | Net Incremental Impact | | | |
|---|----------------------------------|------------------|------------------|-----------------------------------|------------------------|--------|------|--------|
| | Position Changes | Gross Expense | Net Expense | % of 2012 Budget Reduction Target | 2013 | | 2014 | |
| | # | \$ | \$ | % | \$ | # Pos. | \$ | # Pos. |
| Base Changes: | | | | | | | | |
| Base Expenditure Changes | | | | | | | | |
| Absorb Economic Factors | | (100.0) | (100.0) | -0.2% | | | | |
| Revise Gapping | | (58.0) | (58.0) | -0.1% | | | | |
| Adjustments to Non-Salary Expenses Based on Actual Experience | | (300.0) | (300.0) | -0.6% | | | | |
| Base Expenditure Changes | (4.9) | (458.0) | (458.0) | -0.8% | | | | |
| Base Revenue Changes | | | | | | | | |
| User Fees | | | (28.7) | -0.1% | | | | |
| Base Revenue Changes | 0.0 | 0.0 | (28.7) | -0.1% | | | | |
| Sub-Total Base Budget Changes | (4.9) | (458.0) | (486.7) | -0.9% | | | | |
| Service Efficiencies | | | | | | | | |
| Service Efficiencies - Confidential | (97.1) | (1,250.0) | (1,250.0) | -2.3% | | | | |
| Service Efficiencies - Confidential | (7.0) | (423.5) | (423.5) | -0.8% | (71.0) | | | |
| 86 Ingram | | (14.0) | (414.0) | -0.8% | | | | |
| Utility Energy Demand Forecast and Efficiencies | | (1,594.0) | (1,240.1) | -2.3% | | | | |
| Service Efficiencies - Confidential | 0.0 | (300.0) | (300.0) | -0.6% | | | | |
| Service Efficiencies - Confidential | (14.0) | (100.0) | (100.0) | -0.2% | (100.0) | | | |
| Reduction of 2 Positions | (2.0) | (135.5) | (95.5) | -0.2% | | | | |
| Sub-Total Service Efficiencies | (120.1) | (3,817.0) | (3,823.1) | -7.0% | (171.0) | | | |
| Revenue Adjustments: | | | | | | | | |
| Toronto Port Authority Parking Lease | | | (300.0) | -0.6% | | | | |
| Increased Leasing Revenue | | | (500.0) | -0.9% | | | | |
| Revenue Generating Initiative - Confidential | (4.0) | | (268.8) | -0.5% | (150.0) | | | |
| Sub-Total Revenue Adjustments | (4.0) | 0.0 | (1,068.8) | -2.0% | (150.0) | | | |
| Minor Service Impact: | | | | | | | | |
| Sub-Total Minor Service Impacts | 0.0 | 0.0 | 0.0 | 0.0% | 0.0 | | | |
| Major Service Impact: | | | | | | | | |
| Sub-Total Major Service Impacts | 0.0 | 0.0 | 0.0 | 0.0% | 0.0 | | | |
| Total Service Changes | (129.0) | (4,275.0) | (5,378.6) | -9.9% | (321.0) | | | |

2012 Recommended Service Changes

- The 2012 service changes consist of base budget changes, service efficiencies and revenue changes that total \$5.378 million net. These service changes will not impact 2011 approved service levels provided by Facilities Management and Real Estate.

Base Expenditure Changes (*savings of \$0.458 million gross and net*)*Absorb Economic Factors*

- The Program adjusted their budget for economic factors to absorb \$0.100 million of these additional operating costs.

Revise Gapping

- The gapping provision was adjusted to maintain the 2011 gapping rate of 3.6%. This resulted in a budget reduction of \$0.058 million.

Adjustment to Non-Salary Expenses Based on Actual Experience

- Based on a detailed review of actual spending, the Program has reduced their non-salary expenses by \$0.300 million. This reduction will be in miscellaneous materials (\$0.100 million); uniform costs (\$0.100 million) and in metrage/mileage (\$0.100 million).

Base Revenue Changes (*savings of \$0.029 million net*)*User Fees*

- The Program has proposed to increase user fees generating potential incremental revenue of \$0.029 million.
 - User fee increases relate to full cost recovery from services provided to film shoots.
 - The Program also proposes a small increase to the rental rates of rooms at North York Memorial Hall. Current rates range from \$40.00 to \$126.50 per hour, these rates will increase by up to \$2.03 per hour.

Service Efficiencies (*savings of \$3.817 million gross and \$3.823 million net*)*Service Efficiencies – Confidential*

- An estimated savings of \$1.250 million gross, \$0 net will be achieved by Facilities Management and Real Estate. An annualized gross amount of \$0.480 million will be realized in 2013.
- As these services are fully cost-recovered from various other City Programs, the savings will be realized in other budgets. The efficiency efforts are being recognized as savings towards Facilities Management and Real Estate's 2012 reduction target. Details are presented in Confidential Attachment 1 under separate cover.

Service Efficiencies – Confidential

- An estimated savings of \$0.424 million gross and net will be achieved by Facilities Management Services. Incremental savings of \$0.071 million gross and net will be realized in 2013. As these services are fully cost-recovered from various other City

Programs, the savings will be realized in other budgets. The efficiency efforts are being recognized as savings towards Facilities Management and Real Estate's 2012 reduction target. Details are presented in Confidential Attachment 1 under separate cover.

86 Ingram

- Solid Waste Management Services will no longer need space at 86 Ingram, as curb-side collection will be contracted out in District 2 (west of Yonge). Facilities Management and Real Estate is seeking alternate users for this facility to generate revenues of approximately \$0.400 million and reduce expenses by \$0.014 million in 2012.

Utilities Energy Demand Forecast and Efficiencies

- Based on a detailed review of actual spending on utilities over the past few years, savings of \$1.594 million gross, \$1.240 million net have been identified.

Service Efficiencies – Confidential

- Savings for services in other City programs will be achieved by Facilities Management services, for a savings of \$0.300 million gross, \$0 million net. As these services are fully cost-recovered from various City Programs or Agencies, the savings will be realized in other budgets. The efficiency efforts are being recognized as savings towards Facilities Management and Real Estate's 2012 reduction target. Details are presented in Confidential Attachment 1 under separate cover.

Service Efficiencies – Confidential

- An estimated savings of \$0.100 million gross and net will be achieved by Facilities Management Services. Details are presented in Confidential Attachment 1 under separate cover.

Reduction of 2 Positions

- As a result of detailed review, Facilities Management and Real Estate identified further opportunities to streamline some of the processes in various areas of operation which will result in savings of two positions, for savings of \$0.095 million.

Revenue Adjustments (*savings of \$1.069 million net*)

Toronto Port Authority Parking Lease

- The Toronto Port Authority (TPA) will be constructing a new pedestrian tunnel linking the mainland and the Toronto Island Airport. During this process, the TPA will require alternative parking and construction staging areas. A lease of space for TPA use at the Bathurst silo site will generate approximately \$0.300 million per year net, starting in 2012, for the duration of the project.

Increased Leasing Revenue

- The Program will research and establish new leasing opportunities to generate an additional \$0.500 million in net annual revenue starting in 2012. This will include:
 - increased focus on under-used City-owned properties;
 - partnering with other divisions to identify opportunities for properties under their operational management;
 - investing resources to maximize returns on existing high-value and/or long-term leases that are coming up for renewal; and
 - investing resources to establish new frameworks and agreements for new unique opportunities, for example: sign-boards.

Revenue Generating Initiative – Confidential

- An initiative is being recommended to increase Revenues as part of the Real Estate Services within the Facilities Management and Real Estate Division. This initiative will generate \$0.269 million in 2012 and an additional \$0.150 million in 2013. Details are presented in Confidential Attachment 1 under separate cover.

2013 and 2014 Outlook:

- Approval of the 2012 Recommended Base Budget for Facilities Management and Real Estate will result in a net incremental increase in 2013 of \$1.076 million and \$0.287 million in 2014. Future year costs are primarily attributable to the following:
 - The 2013 Outlook anticipates an incremental net expenditure increase of \$0.538 million for progression and step pay increase of \$0.287 million, an increase of \$0.572 million for the OMERS premium rate increase (0.9%) and the annualization of 2012 service efficiency savings in the amount of \$(0.321) million.
 - The 2014 Outlook includes an incremental increase of \$0.287 million net for progression pay and step increases.
- No Cost of Living Allowance (COLA) has been projected as 2012 will be a bargaining year.

PART IV: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS

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

| Description | 2012 Recommended | | | Net Incremental Impact | | | |
|---|------------------|--------------|--------------|------------------------|------------|------------|------------|
| | Gross Exp. | Net Exp. | New Position | 2013 | | 2014 | |
| | \$ | \$ | # | \$ | # Pos | \$ | # Pos |
| Enhanced Services: | | | | | | | |
| Police 14 Div. 12 St. Anne's Rd. | 288.3 | | 3.0 | | | | |
| Police New Property and Evidence Div. | 50.0 | | | | | | |
| Social Services Add'l. Locations | 84.8 | | | | | | |
| 40 Regent St. Childrens' Services | 50.4 | | 0.8 | | | | |
| Toronto Hydro Initiative - Solar Photovoltaic | 400.0 | | | | | | |
| Fire Services - 3 Dohme | 10.0 | | | | | | |
| Real Estate Development Audit Specialists | 464.5 | 464.5 | 5.0 | | | | |
| Sub-Total Enhanced Services | 1,414.6 | 464.5 | 8.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| New Services: | | | | | | | |
| (a) New Services | | | | | | | |
| 21 Panorama Ct. | 1,010.5 | | | | | | |
| Sub-Total New Services | 1,010.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Enhanced/New Services | 2,425.1 | 464.5 | 8.8 | 0.0 | 0.0 | 0.0 | 0.0 |

2012 Recommended New/Enhanced Service Priority Actions

Enhanced Service Priority Actions

- The 2012 recommended new/enhanced service priorities require \$2.425 million gross, \$0.464 million net in additional funding, as well as an addition of 8.8 positions for the following:
 - 3.8 permanent positions for additional client caretaking, cleaning, security and other client service demands, for Toronto Police Service, and Children's Services, funded from clients; and
 - 5.0 temporary positions for Real Estate Services to address the Yard Property Utilization Study and the City-wide audit of approximately 5,650 City-owned properties, funded from savings resulting from Real Estate Services' review of taxable facilities for leased properties.

Toronto Police Services 14 Division – 12 St. Anne's Road

- The Toronto Police Services new location for 14 Division at 12 St. Anne's Road replaces the building at 150 Harrison St. The new building is approximately 40,000 square feet larger than the existing building and will require an additional 3 permanent Heavy Duty Cleaners, at a cost of \$0.288 million, effective January 1, 2012. Expenses will be fully recoverable from Toronto Police Services.

Toronto Police Services New Property and Evidence Building at 330 Progress

- The new Property and Evidence Building at 330 Progress is almost complete. Initial clean up costs at the renovation site are estimated to be \$0.050 million; recoverable from Toronto Police Services. Increased operating costs for full operations will be reported during the 2013 Budget process.

Social Services Additional Locations

- Toronto Employment and Social Services (TESS) has added 5 new leased locations and requires services such as office and window cleaning, entrance matting and pest control. This will require an increase of \$0.085 million to the existing custodial contracts which will be recovered from TESS.

40 Regent Street Children's Services

- Children's Services has opened this new facility and will require custodial services at a cost of \$0.050 million for 2012. This will result in the need for .8 of one position, effective January 1, 2012.

Toronto Hydro Initiative – Solar Photovoltaic

- In July, 2010 the report entitled 'Solar Photovoltaic Program for City Facilities' was adopted by City Council. This partnership between the City and Toronto Hydro will install jointly-owned solar panels on approximately 20 City buildings.
- The costs to maintain this program will be fully offset from the sale of electricity generated by the solar panels. The City will receive revenue for approximately 20 years from the Ontario Power Authority from the sale of electricity.

Real Estate Development Audit Specialists

- It is recommended that 5.0 temporary positions for Real Estate Services be approved to address the Yard Property Utilization Study and the City-wide audit of approximately 5,650 City-owned properties. This unit will assist the City in determining properties to that are surplus to City needs and can be sold or used for other opportunities.
- The additional positions will allow these initiatives to be completed within approximately 3 years, rather than the approximate 8 years that would be possible with existing staff levels.

- In May, 2011, City Council approved a report entitled 'Municipal Capital Facilities' from the Chief Corporate Officer. That report detailed the work undertaken by the Real Estate Division to review the tax status of properties leased by the City of Toronto for various program areas. The result was to recognize a corporate-wide savings of \$1.038 million gross, approximately \$0.587 million net (when cost-shared reductions are factored in). The 2012 Recommended Operating Budgets for the affected programs have been reduced to reflect these savings. It is recommended that the savings be used to offset funding for the 5 positions for a term of three years.

Toronto Water - 51 Beechgrove

- Services have been provided and paid for by Toronto Water since 2010. The 2012 Recommended Operating Budget is being adjusted to reflect actual costs and recoveries in the amount of \$0.067 million.

New Service Priority Actions

21 Panorama Court

- The new Rexdale Community Hub at 21 Panorama Court is a new community facility that will house: the Rexdale Community Health Centre; Albion Neighbourhood Services; Rexdale Women's Centre; Big Brothers and Sisters and various other community groups. Operating costs include custodial, maintenance, security services and utilities. The operating costs of these services will be recovered from the clients based on the client's proportion of space used in this 73,000 square foot facility. These services are estimated at \$1.010 million per year and will be contracted out.

PART V: ISSUES FOR DISCUSSION

2012 and Future Year Issues

2012 Issues and Future Year Issues

Core Service Review Approvals

- At its meeting of September 26 and 27, 2011 City Council approved the report 'Core Service Review – Final Report to Executive Committee' from the City Manager. The City Manager was directed to review efficiency related opportunities for various program areas to determine whether and in what manner implementation is appropriate through the 2012, 2013 and 2014 Operating Budgets.
- The following reviews were recommended for Facilities Management and Real Estate:
 - Consider increasing a shared service approach to facility management with agencies.
 - Consider strategic sourcing of custodial and security activities.
 - Consider increasing a shared service approach for real estate services with agencies.
- These reviews are pending and the City Manager will be reporting, as appropriate, to Standing Committee and/or City Council or through the City's operating budget processes.

Service Efficiency Studies

- At its meeting of April 12, 2011, City Council approved a report from the City Manager titled 'Service Review Program, 2012 Budget Process and Multi-Year Financial Planning Process', dated March, 2011. The report directed that, in addition to other reviews, a service efficiency review be undertaken for Facilities Management and Real Estate.
- The service efficiency review is near completion. The City Manager will report to Standing Committee and/or City Council or through the City's operating budget processes, as appropriate.

Appendix 1

2011 Performance

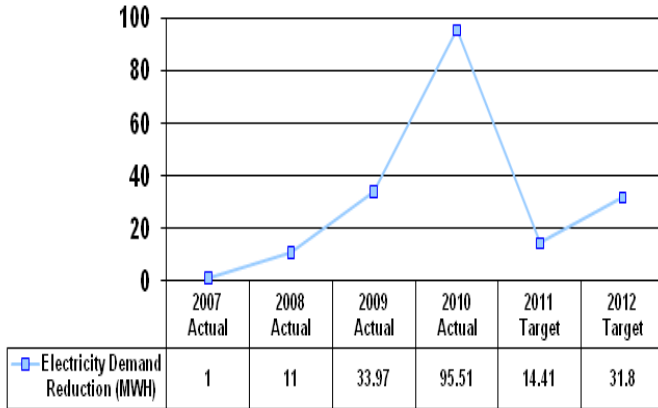
2011 Key Accomplishments:

In 2011, Facilities Management and Real Estate achieved the following results:

- ✓ Stage 1 progress on the construction phase of the \$640 million renovation of Union Station.
- ✓ Implemented a new client service model with multiple client contact points and methods.
- ✓ Implemented the Custodial Workload Measurement System
- ✓ Completed building condition assessments on 20% all facilities in the FM & RE portfolio
- ✓ Completed Federal Infrastructure stimulus projects by the prescribed Federal deadline
- ✓ Secured all property requirements for the Toronto–York Spadina Subway Extension project.
- ✓ Identified 75 properties for transfer or turnover to Build Toronto.

Efficiency

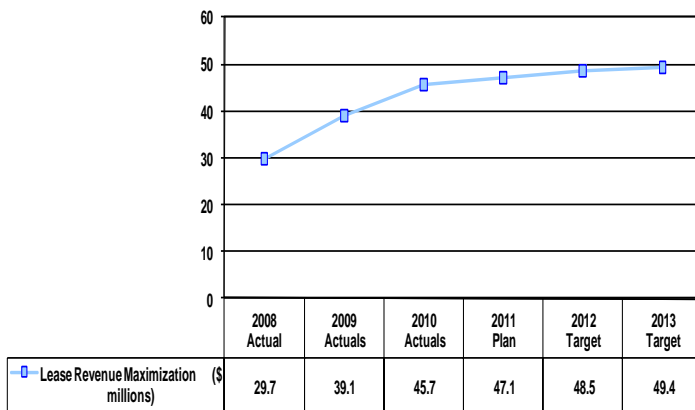
Electricity Demand Reduction (Megawatt)



- Implemented 95.51 MW of conservation representing 107% of the City's commitment to Better Buildings Partnership–Energy Conservation Program
- The targeted electricity demand reduction by 2010 was 89 MW. The City has exceeded the target by 6.51 MW.
- 2011 and 2012 electricity demand reduction targets are 14.41 MW and 31.8 MW respectively and include Better Buildings Partnership Energy Conservation _ New Construction targets, Demand Response 3 and Toronto Hydro–Conservation and Demand Management programs.

Effectiveness

Lease Revenue Maximization (\$ millions)



- This measure demonstrates the revenue generation maximized for the lease of City properties.
- The large increase in 2008 to 2009 reflects the new revenue generated from Union Station operations.
- Increase in 2010 by \$5.700 million from 2009 is for various new leases and lease renewals.

2011 Budget Variance Analysis

2011 Budget Variance Review (In \$000s)

| | 2009 Actuals | 2010 Actuals | 2011 Approved Budget | 2011 Projected Actuals* | 2011 Appvd. Budget vs Projected Actuals Variance | |
|---------------------------|-----------------|-----------------|----------------------------|-------------------------------|---|-------|
| (In \$000s) | \$ | \$ | \$ | \$ | \$ | % |
| GROSS EXP. | 148,882.0 | 165,147.1 | 171,122.2 | 177,488.7 | 6,366.5 | 3.7 |
| REVENUES | 94,969.6 | 113,348.9 | 116,879.3 | 124,773.6 | 7,894.3 | 6.8 |
| NET EXP. | 53,912.4 | 51,798.2 | 54,242.9 | 52,715.1 | (1,527.8) | (2.8) |
| Approved Positions | 895.3 | 907.9 | 919.8 | 919.8 | 0.0 | 0.0 |

* Based on the Third Quarter Operating Budget Variance Report.

2011 Experience

- Facilities Management and Real Estate is currently projecting under-spending of \$1.528 million for 2011 based on the third quarter variance report.
- This is mostly attributed to the Better Building Partnerships–Energy Conservation Program. The Better Buildings Partnerships Program is funded from the Ontario Power Authority (OPA). Financial incentives are provided for the Program, fully funded from OPA. The expenditures and revenues flow through the Facilities Management and Real Estate's operating budget. In 2012 a larger number of participants than anticipated were in the Program. This has resulted in overspending (financial incentives) and recoveries (from OPA).

Impact of 2011 Operating Variance on the 2012 Recommended Budget

- There is no impact on the 2012 Recommended Operating Budget as a result of the 2011 variance.

Appendix 2

2012 Recommended Operating Budget by Expenditure Category and Key Cost Drivers

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

| Category of Expense | 2009 Actual | 2010 Actual | 2011 Budget | 2011 Projected Actual | 2012 Recommended Budget | 2012 Change from 2011 Approved Budget | | 2013 Outlook | 2014 Outlook |
|------------------------------------|------------------|------------------|------------------|-----------------------|-------------------------|---------------------------------------|---------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | % | \$ | \$ |
| Salaries and Benefits | 62,384.8 | 69,672.3 | 78,218.0 | 73,560.6 | 73,334.8 | (4,883.2) | -6.2% | 71,141.8 | 71,428.8 |
| Materials and Supplies | 26,305.2 | 27,628.9 | 31,411.8 | 29,244.4 | 30,899.7 | (512.1) | -1.6% | 30,899.7 | 30,899.7 |
| Equipment | 650.0 | 596.4 | 1,223.2 | 1,043.8 | 1,259.7 | 36.5 | 3.0% | 1,259.7 | 1,259.7 |
| Services & Rents | 49,880.2 | 55,970.0 | 52,894.9 | 56,983.6 | 64,326.7 | 11,431.8 | 21.6% | 67,105.7 | 67,105.7 |
| Contributions to Capital | 3,936.2 | 6,707.9 | 3,798.1 | 3,798.1 | 2,522.8 | (1,275.3) | -33.6% | 2,522.8 | 2,522.8 |
| Contributions to Reserve/Res Funds | 1,091.5 | 1,789.1 | 1,746.9 | 2,082.0 | 1,452.1 | (294.8) | -16.9% | 1,452.1 | 1,452.1 |
| Other Expenditures | 8.2 | 516.1 | 10.6 | 8,957.5 | 10.6 | 0.0 | 0.0% | 10.6 | 10.6 |
| Interdivisional Charges | 4,625.8 | 2,266.3 | 1,818.7 | 1,818.7 | 1,943.3 | 124.6 | 6.9% | 1,943.3 | 1,943.3 |
| TOTAL GROSS EXPENDITURES | 148,881.9 | 165,147.0 | 171,122.2 | 177,488.7 | 175,749.7 | 4,627.5 | 2.8% | 176,335.7 | 176,622.7 |
| Interdivisional Recoveries | 44,813.9 | 50,248.2 | 50,632.8 | 52,558.8 | 52,928.8 | 2,296.0 | 4.5% | 52,288.8 | 52,288.8 |
| Provincial Subsidies | 150.0 | | | | | | n/a | | |
| Federal Subsidies | | 408.2 | 220.5 | 220.5 | 220.5 | 0.0 | 0.0% | 220.5 | 220.5 |
| Other Subsidies | | | | | | | n/a | | |
| User Fees & Donations | 30,484.6 | 38,259.8 | 37,976.5 | 37,976.5 | 38,186.2 | 209.7 | 0.6% | 38,186.2 | 38,186.2 |
| Transfers from Capital Fund | 5,483.8 | 8,842.4 | 8,004.5 | 6,827.1 | 10,042.3 | 2,037.8 | 25.5% | 10,042.3 | 10,042.3 |
| Contribution from Reserve Funds | 6,290.5 | 9,506.1 | 11,077.0 | 20,012.7 | 10,970.6 | (106.4) | -1.0% | 10,970.6 | 10,970.6 |
| Contribution from Reserve | | | | | | | n/a | | |
| Sundry Revenues | 7,747.0 | 6,100.5 | 8,968.0 | 7,178.0 | 10,635.7 | 1,667.7 | 18.6% | 10,785.7 | 10,785.7 |
| TOTAL REVENUE | 94,969.8 | 113,365.2 | 116,879.3 | 124,773.6 | 122,984.1 | 6,104.8 | 5.4% | 122,494.1 | 122,494.1 |
| TOTAL NET EXPENDITURES | 53,912.1 | 51,781.8 | 54,242.9 | 52,715.1 | 52,765.6 | (1,477.3) | -2.6% | 53,841.6 | 54,128.6 |
| APPROVED POSITIONS | 895.3 | 907.9 | 919.8 | 919.8 | 799.6 | (120.2) | -13.1% | | |

2012 Key Cost Drivers

- Salaries and Benefits are the largest expenditure category and account for 41.7% of the total expenditures, followed by Services and Rents at 36.5% and Materials and Supplies at 17.6%.
- The 2012 budget for Salaries and Benefits of \$73.334 million is \$4.883 million or 6.2% lower than the 2011 Operating Budget.
 - Service efficiencies account for most of the reduction and total \$6.444 million. This is mainly due to confidential service efficiency proposals. These reductions are offset by increases for progression pay of \$0.245 million; step increase of \$0.042 million; and additional working day of \$0.234 million and OMERS premium rate increases (1%) of \$0.710 million

- New and enhanced services increase Salaries and Benefits by \$0.638 million. The Real Estate Development Audit Specialists account for \$0.464 million of this increase.
- The 2012 budget for Services and Rents of \$64.327 million is \$11.453 million or 21.7% higher than the 2011 Operating Budget.
 - Confidential Service efficiencies account for \$4.274 million of this increase.
 - New services for the Rexdale Community Hub and the new Toronto Police 14 Division facility account for approximately \$1.099 million of the
 - Approximately \$2.000 million is attributed to inflationary factors.
- The Contribution to Capital decreases by \$1.275 million or 33.6% of the 2011 Approved Budget of \$3.798 million.
 - This is mainly accounted for by the elimination of the financial incentives due to the end of the Energy Conservation Program which reduces capital contribution by \$1.625 million.
- Interdivisional Recoveries increase by \$2.296 million or 4.5% compared to the 2011 Approved Budget of \$50.633 million.
 - This is mainly due to base changes such as adjustments to the IDRs of clients which increase Interdivisional Recoveries by over \$3.000 million.
- Transfers from the Capital Fund increase by \$2.038 million or 25.5% compared to the 2011 Approved Budget of \$8.004 million.
 - Prior year impacts result in an increase of \$0.692 million.
- Sundry Revenues have increased by \$1.668 million or 18.6%.
 - The Solar Photovoltaic Program accounts for \$0.400 million of this increase.
 - \$0.500 million is a result of increased leasing revenue
 - The leasing out of the 86 Ingram facility is expected to increase revenue by \$0.400 million in 2012.
 - The Parking for the Toronto Port Authority result in additional sundry revenues of \$0.300 million.

Appendix 3
Summary of 2012 Recommended Service Changes

Appendix 4

Summary of 2012 Recommended New/Enhanced Service Priority Actions

Appendix 5

Inflows/Outflows to/from Reserves & Reserve Funds

Program Specific Reserve/Reserve Funds

| Reserve / Reserve Fund Name (In \$000s) | Reserve / Reserve Fund Number | Description | Projected Balance as of December 31, 2011 | 2013 | 2014 |
|---|-------------------------------------|-----------------------------|--|--------------|--------------|
| | | | \$ | \$ | \$ |
| Vehicle Reserve - Facilities and Real Estate | XQ1502 | Projected Beginning Balance | 980.8 | 754.6 | 754.6 |
| | | Proposed Withdrawals (-) | (226.2) | | |
| | | Contributions (+) | | | |
| Balance at Year-End | | | 754.6 | 754.6 | 754.6 |

Corporate Reserve / Reserve Funds

| Reserve / Reserve Fund Name (In \$000s) | Reserve / Reserve Fund Number | Projected Balance as of December 31, 2011 * | Proposed Withdrawals (-) / Contributions (+) | | |
|---|-------------------------------------|--|---|----------|----------|
| | | | 2012 | 2013 | 2014 |
| | | | \$ | \$ | \$ |
| Land Acquisition Reserve Fund | XR1012 | 129,599.0 | (861.6) | | |
| Insurance Reserve Fund | XR1010 | 31,693.0 | (959.0) | | |
| Energy Conservation Union Station | XR1715 | 1,958.0 | (1,040.0) | | |
| | XR2501 | 7,720.0 | (3,755.0) | | |
| Conservation management Reserve Fund (OPA Funding) | XR3029 | | (5,423.0) | | |
| Total Reserve / Reserve Fund Draws / Contributions | | | (12,038.6) | - | - |

* Based on 3rd Quarter Variance Report