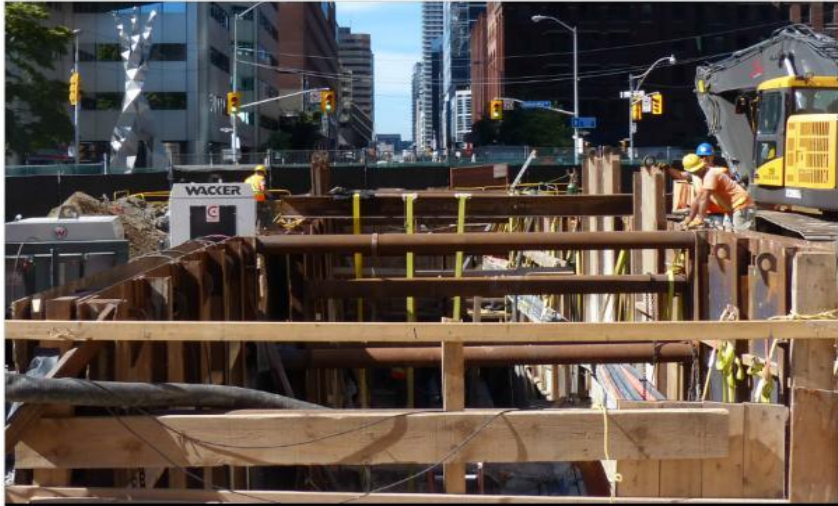




Toronto 2015 BUDGET

OPERATING ANALYST NOTES



Engineering & Construction Services 2015 OPERATING BUDGET OVERVIEW

Engineering & Construction Services provides specialized engineering design and construction services to internal clients (Toronto Water, Transportation Services, Solid Waste Management Services, and other City agencies, boards, commissions and divisions), and external clients (development industry, utility companies and other public agencies) creating safe and sustainable municipal infrastructure.

2015 Budget Highlights

The total cost to deliver this service to Toronto residents in 2015 is \$66.898 million as shown below.

(in \$000's)	2014 Approved Budget	2015 Rec'd Budget	Change	
			\$	%
Gross Expenditures	65,601.9	66,898.3	1,296.4	2.0%
Gross Revenues	57,997.6	59,294.0	1,296.4	2.2%
Net Expenditures	7,604.3	7,604.3	(0.0)	(0.0%)

For 2015, Engineering & Construction Services identified \$0.851 million in opening budget pressures arising from increases in salary and benefit costs and decreases in engineering review and inspection fees. However, the Program was able to offset these pressures through expenditure reductions and revenue increases. As a result, Engineering & Construction Services will maintain their level of service in 2015 while at the same time absorbing all operating pressures.

toronto.ca/budget/2015

Contents

Overview & Recommendations

I: 2015–2017 Service Overview and Plan	5
II: 2015 Recommended Budget by Service	14
III: Issues for Discussion	26

Appendices:

1. 2014 Performance	31
2. 2015 Rec'd Operating Budget By Expenditure Category	34
3. 2015 Organization Chart	35
4. Summary of 2015 Service Changes	36
5. Summary of 2015 New & Enhanced Service Changes	37
6. Inflows/Outflows to / from Reserves & Reserve Funds	38
7. 2015 User Fee Rate Changes	39

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Fast Facts

- \$452 million in capital projects delivered in 2014.
- 649 bridge condition inspections completed in 2014.
- 1,405 engineering reviews of development applications completed in 2014.

Trends

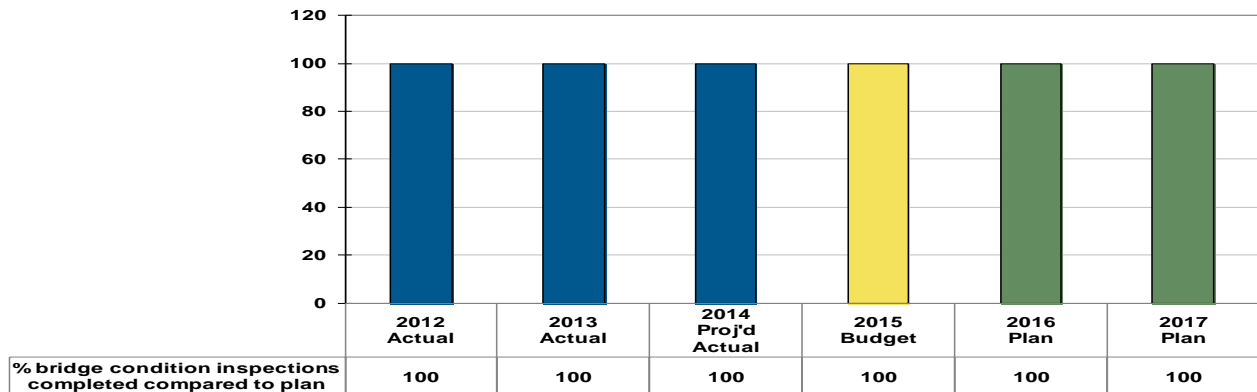
- In 2015, ECS is projecting to again complete 100% of planned bridge condition inspections, reflecting a significant increase from the 49% achieved in 2011.
- ECS is targeting to maintain a 100% completion rate in 2016 and future years for a 2-year bridge condition inspection cycle that requires a consistent level of effort in each year but produces double the number of inspections in the second year of the cycle.
- The 2015 Operating Budget is also targeting the delivery of \$572 million in capital projects and it is anticipated that the value of capital projects delivered will grow by an average of 20% each year to 2017.

Our Service Deliverables for 2015

Engineering and Construction Services is responsible for creating safe and sustainable municipal infrastructure that enhances the quality of life for the people of Toronto, through professionalism in project planning, engineering and project management services. The 2015 Operating Budget will fund the Program's ability to:

- Complete organizational restructuring and centralization of key services.
- Expand project delivery capacity to align with forecasted increases in the capital programs of Toronto Water, Transportation Services and Solid Waste Management Services.
- Explore procurement and financing strategies and identify the preferred approach for the F.G. Gardiner Strategic Rehabilitation project.
- Proactively manage construction-related disruption, including traffic disruption, at the project planning stage and during construction.
- Establish an ECS customer charter and customer service plan to improve communication and liaison with the public and businesses about ECS-delivered construction projects, before and during construction.
- Increase engagement with the consulting engineering and construction contracting industries to help build capacity within the industry to support forecasted growth in the Capital Program.

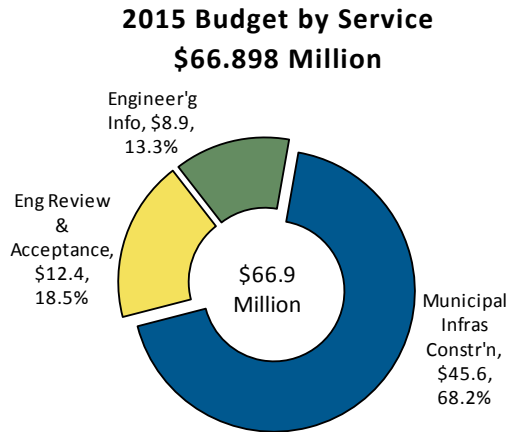
% Bridge Condition Inspections Completed Compared to Plan



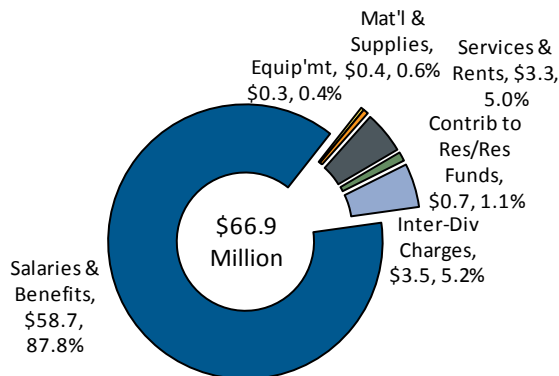
2015 Operating Budget Expenses & Funding

Our Key Challenges & Priority Actions

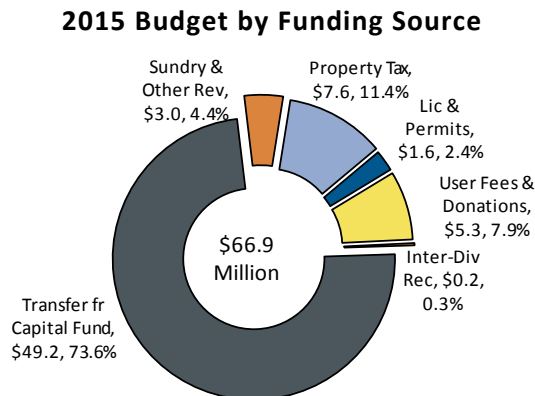
Where the money goes:



2015 Budget by Expenditure Category



Where the money comes from:



- The value of the capital program delivered by ECS continues to escalate and is expected to reach almost \$1 billion by 2018, which is more than twice the value of the 2014 capital program. The 2015 Operating Budget provides funding to:

- ✓ Continue to expand project delivery capacity to align with forecasted increases in the capital programs of Toronto Water, Transportation Services and Solid Waste Management Services.
- ✓ Implement new capital delivery models to increase the delivery rate of capital projects.
- ✓ Develop and implement business plan for electronic service delivery for Development and Third Party Application Review.

2015 Operating Budget Highlights

- The 2015 Operating Budget includes funding to:
 - ✓ Roll-out the next phase of ECS' re-structuring strategy to maximize their ability to effectively deliver engineering services.
 - ✓ Increase delivery of construction projects in support of the City's Basement Flooding Protection Program in line with Council-approved expansion of the program.
 - ✓ Continue to enhance planning and coordination of multi-year capital projects with internal and external stakeholders
 - ✓ Standardize the policy for accepting potentially contaminated lands to be conveyed to the City under the Planning Act and enhance oversight of City properties subject to Certificates of Property Use.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2015 Recommended Operating Budget for Engineering & Construction Services of \$66.898 million gross, \$7.604 million net for the following services:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Municipal Infrastructure Construction	45,619.3	1,453.5
Engineering Review & Acceptance	12,396.9	2,829.9
Engineering Information	8,882.1	3,320.9
Total Program Budget	<u>66,898.3</u>	<u>7,604.3</u>

2. City Council approve the 2015 recommended service levels for Engineering & Construction Services as outlined on pages 16, 20 and 24 of this report and associated staff complement of 540.1 positions;
3. City Council approve the 2015 recommended user fee changes above the inflationary adjusted rate for Engineering & Construction Services identified in Appendix 7a, for inclusion in the Municipal Code Chapter 441 "Fees and Charges".

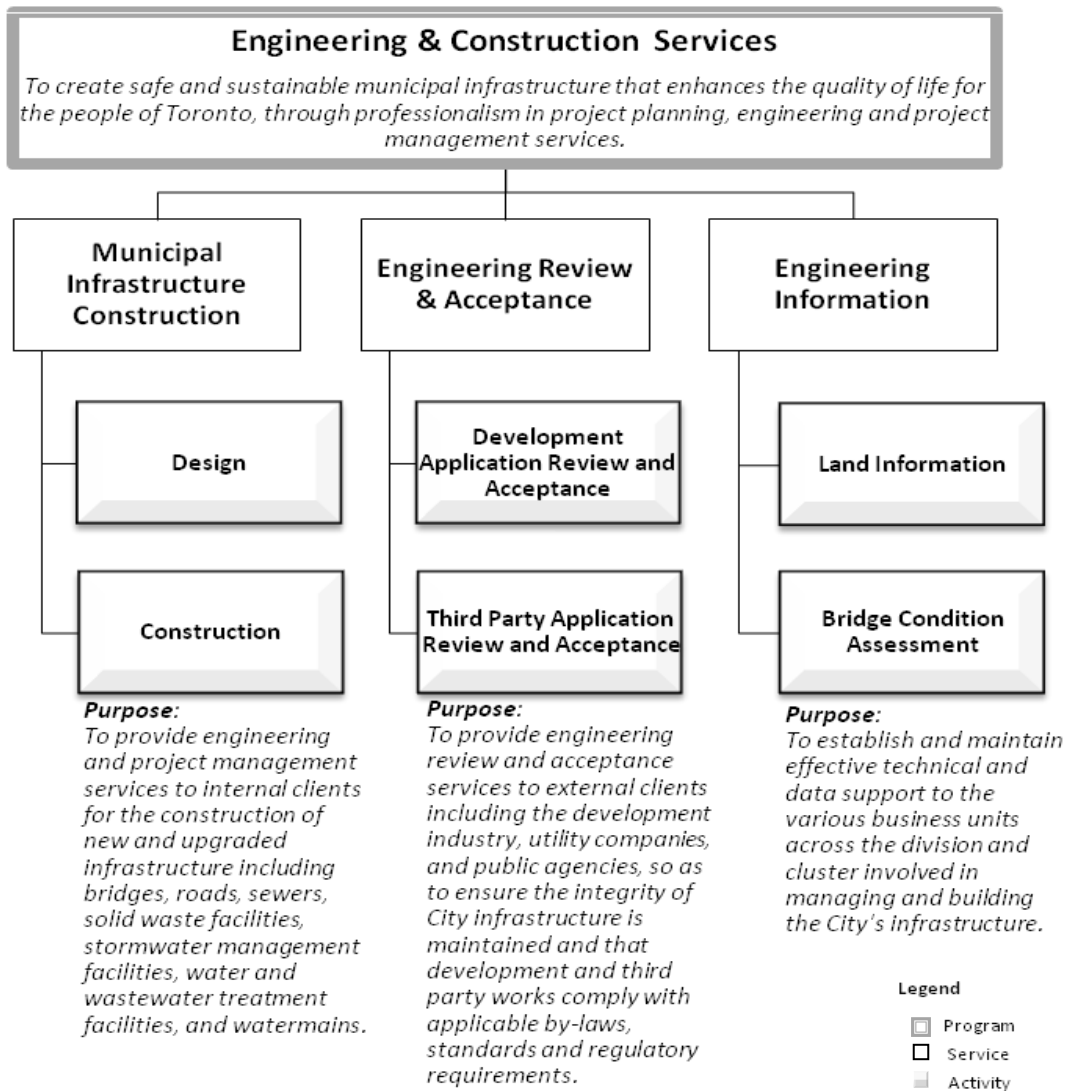


Part I:

2015 – 2017

Service Overview and
Plan

Program Map



Service Customers

Municipal Infrastructure Construction

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

Engineering Review & Acceptance

- Agencies
- City Planning
- Development Industry
- Parks, Forestry and Recreation
- Third Parties (Go Transit, Waterfront Toronto, etc.)
- Utility Companies

Engineering Information

- Agencies, Boards, Commissions
- City Planning
- Construction and Engineering Consulting Industries
- Development Industry
- Digital Map Owners Group (DMOG)
- Facilities and Real Estate
- Members of Council
- Members of the Public
- Municipal Licensing and Standards
- Parks, Forestry and Recreation
- Solid Waste Management
- Third Parties (Go Transit, Waterfront Toronto, etc.)
- Toronto Water
- Transportation Services

2015 Service Deliverables

The 2015 Recommended Operating Budget of \$66.898 million gross and \$7.604 million net for Engineering & Construction Services will fund the Program's ability to:

- Complete organizational restructuring and centralization of key services.
- Expand project delivery capacity to align with forecasted increases in the capital programs of Toronto Water, Transportation Services and Solid Waste Management Services.
- Sustain capital delivery at an estimated 80% year end actual expenditure as a % of approved capital budget.
- Sustain momentum achieved on response times for review of development applications to 75% compliance of STAR timelines.
- Increase delivery of construction projects in support of the City's Basement Flooding Protection Program in line with Council-approved expansion of the program.
- Explore procurement and financing strategies and identify the preferred approach for the F.G. Gardiner Strategic Rehabilitation project.
- Establish and apply performance metrics to demonstrate overall capital delivery by organizational unit and individual project managers.
- Continue to enhance planning and coordination of multi-year capital projects with internal and external stakeholders.
- Proactively manage construction-related disruption, including traffic disruption, at the project planning stage and during construction.
- Establish an ECS customer charter and customer service plan to improve communication and interaction with the public and businesses about ECS-delivered construction projects, before and during construction.
- Standardize the policy for accepting potentially contaminated lands to be conveyed to the City under the *Planning Act* and enhance oversight of City properties subject to Certificates of Property Use.
- Revise applicable construction standards and specifications to include use of recycled concrete as road base, trench backfill and pipe bedding, and where deemed appropriate.
- Launch an interactive, web-based map showing the location and condition of City-owned bridges.
- Finalize the business plan for electronic service delivery of Development and Third Party Application reviews.
- Increase engagement with the consulting engineering and construction contracting industries to help build capacity within the industry to support forecasted growth in the Capital Program.
- Implement a recruitment strategy for entry level, co-op and internship programs.

Table 1
2015 Recommended Operating Budget and Plan by Service

(In \$000s)	2014		2015 Recommended Operating Budget				2015 Rec'd vs. 2014		Incremental Change 2016 and 2017 Plan			
	Approved Budget	Projected Actual	2015 Rec'd Base	2015 Rec'd New/Enhanced	2015 Rec'd Budget	Budget Approved Changes		2016		2017		
	\$	\$	\$	\$	\$	\$	%	\$	%	\$	%	
By Service												
Municipal Infrastructure Construction												
Gross Expenditures	44,969.3	41,987.5	45,370.8	248.5	45,619.3	650.1	1.4%	480.1	1.1%	494.5	1.1%	
Revenue	43,602.8	40,643.0	43,917.4	248.5	44,165.9	563.1	1.3%	557.8	1.3%	485.2	1.1%	
Net Expenditures	1,366.5	1,344.6	1,453.5		1,453.5	86.9	6.4%	(77.7)	(5.3%)	9.3	0.7%	
Engineering Review & Acceptance												
Gross Expenditures	11,984.4	11,201.5	12,396.9		12,396.9	412.5	3.4%	152.2	1.2%	156.8	1.2%	
Revenue	9,186.6	8,403.6	9,567.0		9,567.0	380.3	4.1%	269.2	2.8%	23.5	0.2%	
Net Expenditures	2,797.8	2,797.8	2,829.9		2,829.9	32.1	1.1%	(116.9)	(4.1%)	133.3	4.9%	
Engineering Information												
Gross Expenditures	8,648.2	8,103.7	8,706.5	175.6	8,882.1	233.9	2.7%	91.9	1.0%	94.6	1.1%	
Revenue	5,208.2	4,641.8	5,385.5	175.6	5,561.1	353.0	6.8%	52.2	0.9%	53.8	1.0%	
Net Expenditures	3,440.0	3,461.9	3,320.9		3,320.9	(119.1)	(3.5%)	39.7	1.2%	40.9	1.2%	
Total												
Gross Expenditures	65,601.9	61,292.7	66,474.2	424.1	66,898.3	1,296.4	2.0%	724.2	1.1%	745.9	1.1%	
Revenue	57,997.6	53,688.4	58,869.9	424.1	59,294.0	1,296.4	2.2%	879.1	1.5%	562.5	0.9%	
Total Net Expenditures	7,604.3	7,604.3	7,604.3		7,604.3	(0.0)	(0.0%)	(154.9)	(2.0%)	183.4	2.5%	
Approved Positions	541.1	536.1	537.1	3.0	540.1	(1.0)	(0.2%)					

Note: 2014 Projected Actual Expenditures are System Generated

The 2015 Recommended Operating Budget for Engineering & Construction Services is \$66.898 million gross and \$7.604 million net. The net budget remains the same as 2014 at a 0% increase as a result of the following:

- Base pressures of \$0.851 million net were offset by base expenditure savings of \$0.141 million net and base revenue changes/adjustments of \$0.710 million resulting in the 2015 Recommended Base Budget of \$7.604 million net which reflects a 0% change from the 2014 Approved Budget.
- Base pressures are predominately driven by salary and benefit cost increases for union/non-union staff (progression pay, step increases, COLA) totaling \$1.288 million net that are experienced consistently across all three services within Engineering & Construction Services. Additionally, a reduction in revenue from Engineering Review and Inspection Fees (applied as 5% of municipal infrastructure cost) to align with anticipated volumes for 2015 (\$0.682 million net) primarily impacts the Engineering Review & Acceptance service.
- Some of these pressures have been mitigated by increased capital funding for positions delivering capital projects (\$1.052 million net) primarily in Engineering Information, but also to a lesser extent within the Municipal Infrastructure Construction Service.
- To help further mitigate these base pressures, the Program achieved base expenditure savings of \$0.018 million net (primarily in Engineering Review & Acceptance and Engineering Information) and reduced overtime costs by \$0.123 million net (primarily in Municipal Infrastructure Construction and Engineering Review & Acceptance) arising from a review of actual expenditure experience. Additional revenue of \$0.044 million from inflationary fee increases (in Engineering Review & Acceptance) and full stream utilities user fee increases above the rate of inflation

(\$0.666 million) have been included primarily in Engineering Review & Acceptance and Municipal Infrastructure Construction.

- The 2015 Recommended Operating Budget includes new funding of \$0.424 million gross, fully recovered from related City programs.
 - ECS is increasing the delivery of construction projects in support of the City's Basement Flooding Protection Program in line with Council-approved expansion of the program (Municipal Infrastructure Construction - 2 Senior Project Managers) fully funded by Toronto Water (\$0.249 million).
 - ECS will provide expertise to Parks, Forestry and Recreation (PF&R) to manage parks that have been issued with Certificates of Property Use by the Ontario Ministry of the Environment related to soil and groundwater quality (Engineering Information - 1 Senior Project Manager) fully funded by PF&R (\$0.176 million). ECS will standardize the policy for accepting potentially contaminated lands to be conveyed to the City under the Planning Act and enhance oversight of City properties subject to Certificates of Property Use.
- The 2016 and 2017 Plans reflect inflationary cost increases for progression pay, step and fringe benefits; however Cost of Living Adjustments (COLA) estimate has not been included in 2016 and 2017 as it is subject to future contract negotiations. In addition, the Plans in those years reflect partial recoveries for the projected salary and benefit increases. As well, 2016 includes the annualized impact of increasing the full stream utilities user fees above the rate of inflation in 2015.

Approval of the 2015 Recommended Operating Budget will result in Engineering & Construction Services decreasing its total staff complement by 1.0 position from 541.1 to 540.1 as highlighted in the table below:

Table 2
2015 Recommended Total Staff Complement

Changes	2015 Budget				Plan	
	Municipal Infrastructure Construction	Engineering Review & Acceptance	Engineering Information	Total	2016	2017
2014 Approved Complement	364.1	100.9	83.1	548.1	540.1	540.1
In-year Adjustments	(7.0)			(7.0)		
Adjusted 2014 Staff Complement	357.1	100.9	83.1	541.1	540.1	540.1
Recommended Change in Staff Complement						
Base Changes (next phase of re-structuring)	(0.7)	(2.5)	(0.7)	(4.0)		
New / Enhanced Service Priorities	2.0		1.0	3.0		
Total	358.4	98.4	83.3	540.1	540.1	540.1
Position Change Over Prior Year	1.3	(2.5)	0.3	(1.0)		
% Change over prior year	0.4%	(2.5%)	0.3%	(0.2%)		

- As part of the Program re-structuring 7.0 permanent positions were transferred in 2014, including: 3.0 positions to the Major Capital Infrastructure Coordination (MCIC) office within Policy, Planning, Finance & Administration (PPF&A); and 4.0 positions to Toronto Water. These positions align with functional activities resident in the other Programs.

- It is recommended that 4.0 permanent positions (net) be deleted as part of the next phase of organizational re-structuring, which introduced a new management structure, new job profiles, and re-aligned work teams to align with client requirements.

Enhanced Services

- 2.0 permanent positions (senior project managers) have been added for the City's Basement Flooding Protection Program in line with Council-approved expansion of the program. These positions are fully funded by Toronto Water.

New Services

- 1.0 permanent position (senior project manager) has also been added to provide expertise to Parks, Forestry and Recreation (PF&R) to manage parks that have been issued with Certificates of Property Use by the Ontario Ministry of the Environment related to soil and groundwater quality. Fully funded by PF&R.

The 2015 Recommended Operating Budget includes base expenditure pressures of \$0.851 million net, as identified in the Key Cost Drivers table below.

Table 3
Key Cost Drivers

(In \$000s)	2015 Recommended Operating Budget			Total Rec'd 2015 Base Budget
	Municipal Infras Construction	Engineering Review & Acceptance	Engineering Information	
Gross Expenditure Changes				
COLA and Progression Pay				
COLA @ 2.25%	676.6	191.0	144.5	1,012.1
Progression Pay & Step Increases	466.1	147.8	89.2	703.1
Other Changes to align budget to actual & reflect next phase of re-structuring	(378.4)	131.9	(180.9)	(427.4)
Other Base Changes				
Other	42.6	19.2	7.5	69.3
Total Gross Expenditure Changes	806.9	489.9	60.3	1,357.1
Base Revenue Changes				
Engineering Review and Inspection Fees - 5% of municipal infrastructure cost - volume change	(181.9)	(499.9)		(681.8)
Positions Funded By Capital Program	330.3	(44.8)	766.5	1,052.0
Utility Review and Inspection - Division, local board and other recoveries - changes and adjustments including TTC /Metrolinx/ Waterfront Toronto	(294.1)	398.4		104.3
Other revenue budget changes and realignments (including Administration Fees to reflect actual experience)	617.1	16.9	(602.2)	31.8
Total Revenue Changes	471.4	(129.4)	164.3	506.4
Net Expenditure Changes	335.5	619.3	(104.0)	850.7

Key cost drivers for Engineering & Construction Services are as follows:

- All three services within Engineering & Construction Services are experiencing salary and benefit cost increases for union/non-union staff (progression pay, step increases, COLA) relative to their level of staffing totaling \$1.288 million net.

- Other base pressures include a reduction in revenue from Engineering Review and Inspection Fees (applied as 5% of municipal infrastructure cost) to align with anticipated volumes for 2015 (\$0.682 million net). There is no change to the user fee rate. This is a change in expected volumes to better align revenues with actual experience in both Engineering Review & Acceptance and Municipal Infrastructure Construction.
- These base pressures are somewhat offset by increased capital funding for positions delivering capital projects (\$1.052 million net) primarily in Engineering Information, but also to a lesser extent in Municipal Infrastructure Construction. As well, the base pressures were reduced by \$0.136 million net arising from various revenue/recovery adjustments to align the budget with actual experience, impacting all three services.

In order to offset the above pressures, the 2015 recommended service changes for Engineering & Construction Services consists of base expenditure changes resulting in savings of \$0.141 million, base revenue changes of \$0.044 million and revenue adjustments of \$0.666 million.

Table 4
2015 Total Recommended Service Change Summary

Description (\$000s)	2015 Recommended Service Changes						Total Rec'd Service Changes			Incremental Change			
	Municipal Infras Construction		Engineering Review & Acceptance		Engineering Information		\$	\$	#	2016 Plan		2017 Plan	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Pos.	Net	Pos.	Net	Pos.
Base Changes:													
Base Expenditure Changes													
Reduction in Overtime	(404.5)	(91.2)	(118.7)	(32.2)			(523.2)	(123.4)					
Line-by-Line Review Savings	(167.4)	16.1	(18.6)	(18.6)	(15.0)	(15.0)	(201.0)	(17.5)					
Base Expenditure Change	(571.9)	(75.1)	(137.3)	(50.8)	(15.0)	(15.0)	(724.2)	(140.9)					
Base Revenue Changes													
Planning Application Review fees - Inflation increase of 2.25%				(44.1)				(44.1)					
Base Revenue Change				(44.1)				(44.1)					
Sub-Total	(571.9)	(75.1)	(137.3)	(94.9)	(15.0)	(15.0)	(724.2)	(185.0)					
Revenue Adjustments													
Increase Full Stream Utilities user fees (above rate of inflation)		(173.4)		(492.3)				(665.7)		(332.9)			
Sub-Total		(173.4)		(492.3)				(665.7)		(332.9)			
Total Changes	(571.9)	(248.5)	(137.3)	(587.2)	(15.0)	(15.0)	(724.2)	(850.7)		(332.9)			

Base Expenditure Changes (Savings of \$0.724 million gross & \$0.141 million net)

Line-by-Line Review Savings

- Savings of \$0.018 million net was realized through a line-by-line expenditure review to better align the budget with actual experience and anticipated 2015 requirements. This change is primarily in Engineering Review & Acceptance and Engineering Information services.

Reduction in Overtime

- A reduction in overtime costs of \$0.123 million net (primarily in Municipal Infrastructure Construction and Engineering Review & Acceptance) is recommended as less reliance on overtime will result from the Program's aggressive plan to fill vacant positions.

Base Revenue Changes (Savings of \$0.044 million net)

User Fees 2.25% Inflation Adjustment

- Additional revenue of \$0.044 million net will be realized from the inflationary increase applied to user fees within Engineering Review & Acceptance.

Revenue Adjustments (Savings of \$0.666 million net)

Increase Full Stream Utilities User Fees

- An increase above the rate of inflation for Full Stream Utilities user fees is recommended, which is anticipated to generate \$0.666 million in additional revenue in 2015. This change will ensure the full cost recovery of the costs associated with the delivery of service (primarily within Engineering Review & Acceptance and Municipal Infrastructure Construction).
- The fee increase will be implemented effective May 1, 2015.

Table 5

2015 Total Recommended New & Enhanced Service Priorities Summary

Description (\$000s)	New and Enhanced						Total Rec'd New and Enhanced			Incremental Change			
	Municipal Infras Construction		Engineering Review & Acceptance		Engineering Information		\$	\$	Position	2016 Plan		2017 Plan	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	#	Net	Pos.	Net	Pos.
Enhanced Services Priorities													
Basement Flooding Protection Program (2 Senior Project Managers)	248.5						248.5		2.0				
Sub-Total	248.5						248.5		2.0				
New Service Priorities													
(a) New Services													
Soil and Groundwater Quality - provide expertise to Parks, Forestry and Recreation (1 Senior Project Manager)					175.6		175.6		1.0				
Sub-Total					175.6		175.6		1.0				
Total	248.5				175.6		424.1		3.0				

Recommended Enhanced Service Priorities (\$0.249 million gross & \$0 million net)

Basement Flooding Protection Program

- ECS is increasing the delivery of construction projects in support of the City's Basement Flooding Protection Program in line with Council-approved expansion of the Program.
- This recommended service enhancement will result in the increase of 2 Senior Project Managers positions fully funded from the Toronto Water program (\$0.249 million) entirely within the Municipal Infrastructure Construction service.
- With the expansion and accelerated delivery of the City's Basement Flooding Protection Program, ECS requires these positions to meet its responsibilities for the design and construction of the infrastructure.

Recommended New Service Priorities (\$0.176 million gross & \$0 million net)

Soil & Groundwater Quality – Provide expertise to Parks, Forestry & Recreation

- ECS will provide expertise to Parks, Forestry and Recreation (PF&R) to manage parks that have been issued with Certificates of Property Use by the Ontario Ministry of the Environment related to soil and groundwater quality.
- This recommended new service priority within Engineering Information will require the addition of 1 Senior Project Manager position that will be fully funded by PF&R in the amount of \$0.176 million.
- The position is necessary in order to manage growing complexities related to the development of brownfield lands into parkland.
- As a result of this initiative ECS will standardize the policy for accepting potentially contaminated lands to be conveyed to the City under the Planning Act and enhance oversight of City properties subject to Certificates of Property Use.

Approval of the 2015 Recommended Base Budget will result in a 2016 net decrease of \$0.155 million and a 2017 incremental net cost of \$0.183 million to maintain the 2015 level of service as discussed in the following section.

**Table 6
2016 and 2017 Plan by Program**

Description (\$000s)	2016 - Incremental Increase					2017 - Incremental Increase				
	Gross Expense	Revenue	Net Expense	% Change	# Positions	Gross Expense	Revenue	Net Expense	% Change	# Positions
Known Impacts:										
Progression Pay, Step Increases and Other changes to align salary budget with actual experience	724.2	546.1	178.1	2.3%		745.9	562.5	183.4	2.5%	
Increase Full Stream Utilities user fees (above rate of inflation)		332.9	(332.9)	(4.4%)						
Total Incremental Impact	724.2	878.9	(154.8)	(2.0%)		745.9	562.5	183.4	2.5%	

Future year incremental costs are primarily attributable to the following:

Known Impacts

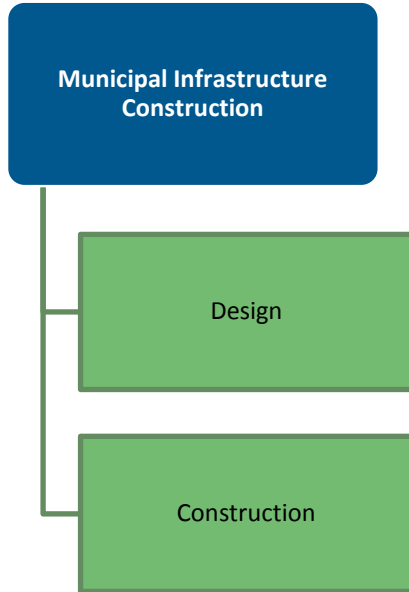
- Progression pay, step and fringe benefits increases will result in a pressure of \$0.178 million net in 2016 and \$0.183 million net in 2017. The plans in those years reflect partial recoveries for the projected salary and benefit increases. Cost of Living Adjustments (COLA) have not been included in 2016 and 2017 as it is subject to future contract negotiations .
- Increase in full stream utilities user fees in 2015 will result in a phase-in/annualization increase in revenue of \$0.333 million in 2016.



Part II:

2015 Recommended
Budget by Service

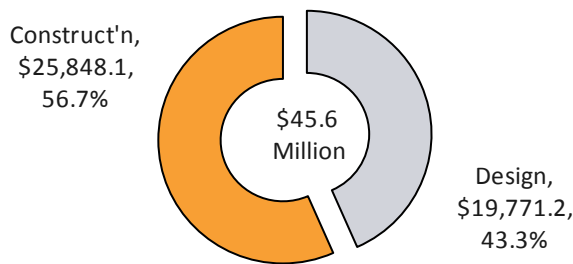
Municipal Infrastructure Construction



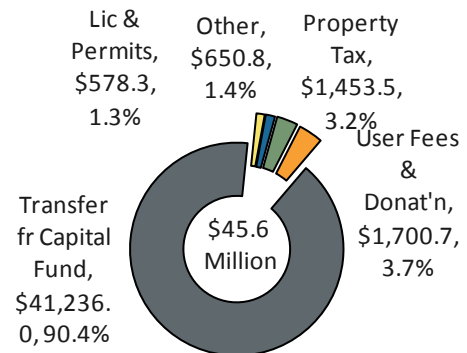
What We Do

- Provide engineering and project management services to internal clients for the construction of new and upgraded infrastructure including bridges, roads, sewers, solid waste facilities, stormwater management facilities, water and wastewater treatment facilities, and water mains.

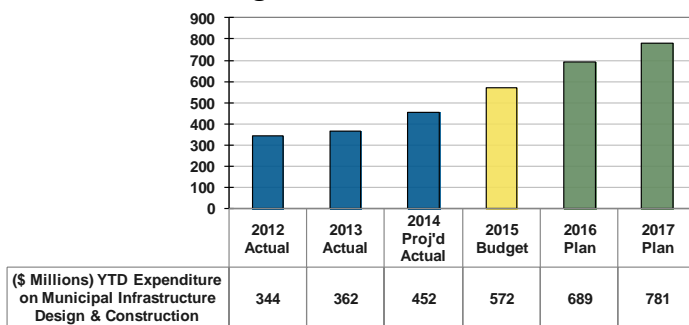
2015 Service Budget by Activity (\$000s)



Service by Funding Source (\$000s)



(\$ Millions) YTD Expenditure on Municipal Infrastructure Design & Construction



- ECS continues to experience substantial growth in construction activity for clients' capital programs.
- \$452 million in capital projects are anticipated to be delivered by ECS in 2014.
- The 2015 Recommended Operating Budget is targeting the delivery of \$572 million in capital projects with the expectation that it will grow to \$781 million by 2017.

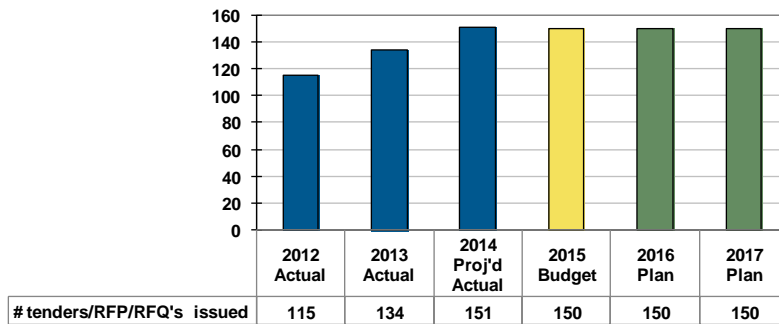
2015 Service Levels
Municipal Infrastructure Construction

Activity	Type	Approved Service Levels			Recommended
		2012	2013	2014	2015
Design	Tenders issued compared to plan	N/A	90% as scheduled		90% as scheduled
Construction	Contracts substantially completed compared to plan	N/A	90% as scheduled		90% as scheduled
Construction	Year End Actual Expenditure as a percentage of Approved Capital budget	N/A	80% Year End Actual Expenditure as a percentage of Approved Capital budget		80% Year End Actual Expenditure as a percentage of Approved Capital budget

The 2015 Recommended Service Levels are consistent with the approved 2014 Service Levels.

Service Performance

Output Measure – # of tenders/RFPs/RFQs



- The number of tenders, requests for proposals and requests for qualifications has increased from 115 in 2012 to 151 in 2014, reflecting the increase in the capital program delivered by ECS.
- In 2015, ECS expects to issue an estimated 150 tenders for a capital program that is valued at \$557 million.
- Future year estimates are 150 for each of 2016 and 2017, and will be based on client's requirements and the planned continued bundling of construction projects into single tenders.

Table 7

2015 Recommended Service Budget by Activity

(\$000s)	2014	2015 Recommended Operating Budget								Incremental Change				
	Approved Budget	Base Budget	Rec'd Service Changes	2015 Rec'd Base	Rec'd Base Budget vs. 2014 Budget		Rec'd New/Enhanced	2015 Rec'd Budget	2015 Rec'd Budget vs. 2014 Budget		2016 Plan		2017 Plan	
					\$	%			\$	%	\$	%	\$	%
GROSS EXP.														
Design	19,271.6	19,886.3	(164.7)	19,721.5	450.0	2.3%	49.7	19,771.2	499.7	2.6%	150.1	0.8%	154.6	0.8%
Construction	25,697.7	26,056.5	(407.2)	25,649.3	(48.4)	(0.2%)	198.8	25,848.1	150.4	0.6%	330.0	1.3%	339.9	1.3%
Total Gross Exp.	44,969.3	45,942.7	(571.9)	45,370.8	401.6	0.9%	248.5	45,619.3	650.1	1.4%	480.1	1.1%	494.5	1.1%
REVENUE														
Design	18,888.5	18,911.1	(55.2)	18,855.9	(32.6)	(0.2%)	49.7	18,905.6	17.1	0.1%	148.1	0.8%	152.5	0.8%
Construction	24,714.3	25,329.6	(268.1)	25,061.5	347.2	1.4%	198.8	25,260.3	546.0	2.2%	409.7	1.6%	332.6	1.3%
Total Revenues	43,602.8	44,240.7	(323.4)	43,917.4	314.6	0.7%	248.5	44,165.9	563.1	1.3%	557.8	1.3%	485.2	1.1%
NET EXP.														
Design	383.1	975.2	(109.5)	865.7	482.6	126.0%		865.7	482.6	126.0%	2.0	0.2%	2.0	0.2%
Construction	983.4	726.8	(139.0)	587.8	(395.6)	(40.2%)		587.8	(395.6)	(40.2%)	(79.6)	(13.5%)	7.3	1.4%
Total Net Exp.	1,366.5	1,702.0	(248.5)	1,453.5	86.9	6.4%		1,453.5	86.9	6.4%	(77.7)	(5.3%)	9.3	0.7%
Approved Positions	357.1	356.4		356.4	(0.7)	(0.2%)	2.0	358.4	1.3	0.4%				

The 2015 Recommended Operating Base Budget for Municipal Infrastructure Construction of \$45.371 million gross and \$1.454 million net is \$0.087 million or 6.4% above the 2014 Approved Net Budget.

The **Municipal Infrastructure Construction Service** provides engineering and project management services to internal clients for the construction of new and upgraded infrastructure including bridges, roads, sewers, solid waste facilities, stormwater management facilities, water and wastewater treatment facilities, and watermains.

Base budget pressures in Municipal Infrastructure Construction primarily result from the following:

- Salary and benefit costs related to COLA, Progression Pay, Step increases consistent across both activities of \$0.764 million for union/non-union staff.
- Other base pressures include a reduction in recoveries from Engineering Review and Inspection Fees (applied as 5% of municipal infrastructure cost) to align with anticipated volumes for 2015 (\$0.182 million net) in the Construction activity.
- Offsetting some of these base pressures is the increased capital funding for positions delivering capital projects (\$0.330 million net) primarily in Construction, but also to a lesser extent in Design.
- In addition, the base pressures were reduced by \$0.323 million net due to various revenue/recovery adjustments to align the budget with actual experience, primarily in the Construction activity.

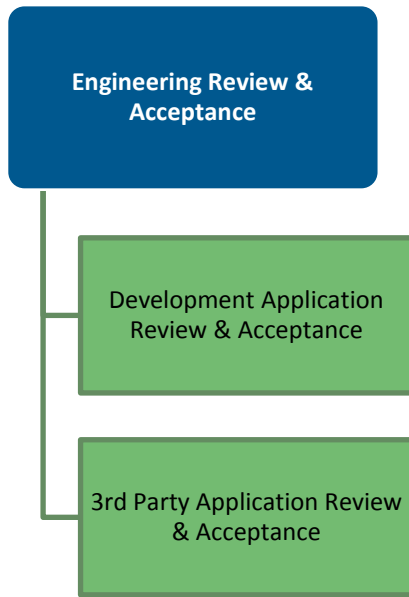
To help mitigate these base pressures, the Service will reduce its overtime costs by \$0.091 million net primarily in the Design activity. As well, the base pressures will be reduced by the increase above the rate of inflation for full stream utilities user fees (\$0.173 million) to achieve full cost recovery of the costs associated with the delivery of service in the Construction activity.

The 2015 Recommended Operating Budget includes funding of \$0.249 million gross, fully recovered from Toronto Water. ECS is increasing the delivery of construction projects in support of the City's Basement Flooding Protection Program with the addition of 2 Senior Project Managers, primarily in the Construction activity.

The 2016 and 2017 plans reflect inflationary cost increases for progression pay, step and fringe benefits in both activities, however Cost of Living Adjustments (COLA) have not been included in 2016 and 2017 as it is subject to future contract negotiations.

In addition, the plans in those years reflect almost full recoveries for the projected salary and benefit increases. As well, 2016 includes the annualized impact of increasing the full stream utilities user fees above the rate of inflation in 2015 in the Construction activity (\$0.087 million).

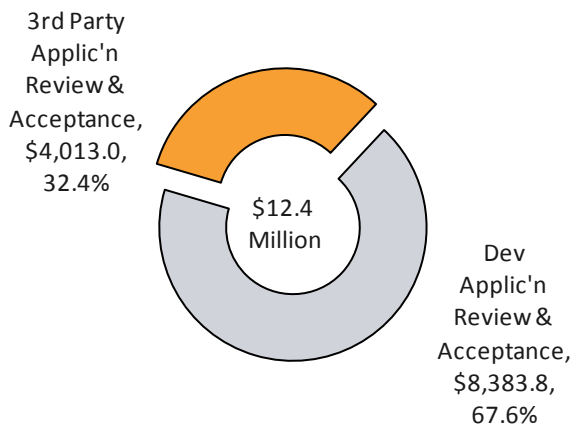
Engineering Review & Acceptance



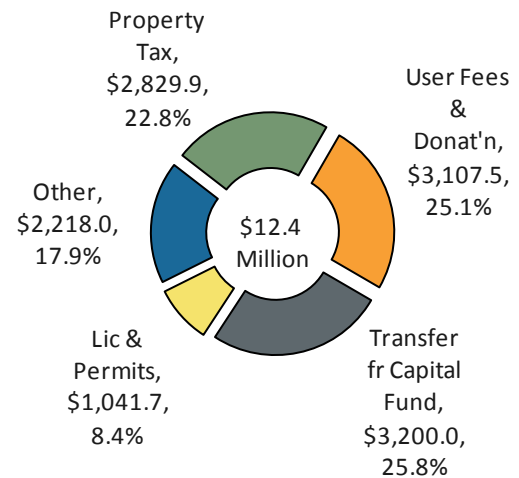
What We Do

- Provide engineering review and acceptance services to external clients including the development industry, utility companies, and public agencies, so as to ensure the integrity of City infrastructure is maintained and that development and third party works comply with applicable by-laws, standards and regulatory requirements.

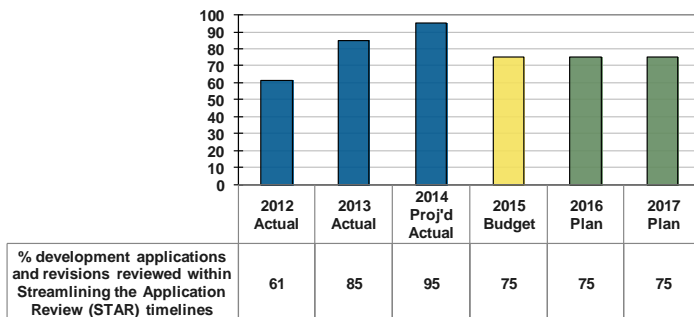
2015 Service Budget by Activity (\$000s)



Service by Funding Source (\$000s)



% development applications and revisions reviewed within Streamlining the Application Review (STAR) timelines



- ECS is projecting 95% of development applications and revisions will be reviewed within STAR timelines in 2014.
- This high level of achievement continues the trend set in 2013, when 85% of applications were reviewed within STAR timelines.
- ECS will continue to target compliance with STAR timelines in 2015 and future years.

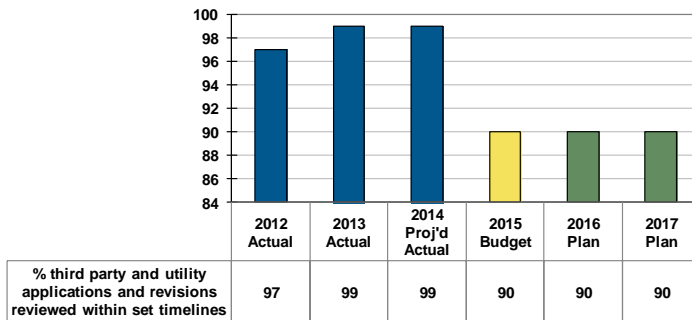
2015 Service Levels Engineering Review & Acceptance

Activity	Type	Approved Service Levels			Recommended
		2012	2013	2014	2015
Development Applications Review and Acceptance	Development Applications	75% compliance rate within STAR timelines			75% compliance rate
Development Applications Review and Acceptance	Engineering Drawings	75% compliance rate			75% compliance rate
Third Party Application Review and Acceptance	Third Party application	N/A	90% compliance within 20 working days		90% compliance within 20 working days

The 2015 Recommended Service Levels are consistent with the approved 2014 Service Levels.

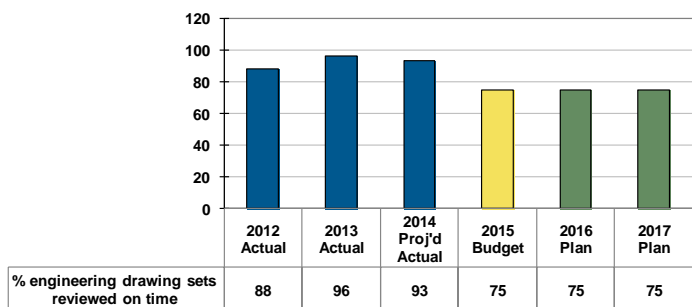
Service Performance

Effectiveness Measure – % of 3rd party & utility applications reviewed within set timelines



- For the second year in a row, ECS is projecting 99% of third party and utility applications will be reviewed within set timelines.
- This represents a high level of responsiveness to third party and utility clients.
- 2015 and future year targets will continue to be 90% compliance with set timelines.

Effectiveness Measure - % of engineering drawing sets reviewed on time



- ECS exceeded expectations by reviewing 93% of engineering drawing sets on time.
- This level of service is a significant achievement over the performance target.
- ECS will continue to target 75% compliance for 2015 and future years.

Table 8

2015 Recommended Service Budget by Activity

(\$000s)	2014	2015 Recommended Operating Budget							Incremental Change					
	Approved Budget	Base Budget	Rec'd Service Changes	2015 Rec'd Base	Rec'd Base Budget vs. 2014 Budget	% Change	Rec'd New/Enhanced	2015 Rec'd Budget	2015 Rec'd Budget vs. 2014 Budget		2016 Plan		2017 Plan	
									\$	%	\$	%	\$	%
GROSS EXP.														
Development Application Review & Acceptance	8,061.8	8,393.1	(9.3)	8,383.8	322.0	4.0%		8,383.8	322.0	4.0%	120.7	1.4%	124.3	1.5%
3rd Party Application Review & Acceptance	3,922.6	4,141.0	(128.0)	4,013.0	90.4	2.3%		4,013.0	90.4	2.3%	31.6	0.8%	32.5	0.8%
Total Gross Exp.	11,984.4	12,534.2	(137.3)	12,396.9	412.5	3.4%		12,396.9	412.5	3.4%	152.2	1.2%	156.8	1.2%
REVENUE														
Development Application Review & Acceptance	5,363.3	5,487.9	415.9	5,903.7	540.5	10.1%		5,903.7	540.5	10.1%	195.1	3.3%	7.1	0.1%
3rd Party Application Review & Acceptance	3,823.4	3,629.2	34.0	3,663.2	(160.1)	(4.2%)		3,663.2	(160.1)	(4.2%)	74.0	2.0%	16.4	0.4%
Total Revenues	9,186.6	9,117.1	449.8	9,567.0	380.3	4.1%		9,567.0	380.3	4.1%	269.2	2.8%	23.5	0.2%
NET EXP.														
Development Application Review & Acceptance	2,698.5	2,905.3	(425.2)	2,480.1	(218.4)	(8.1%)		2,480.1	(218.4)	(8.1%)	(74.4)	(3.0%)	117.2	4.9%
3rd Party Application Review & Acceptance	99.2	511.8	(162.0)	349.8	250.6	252.5%		349.8	250.6	252.5%	(42.5)	(12.1%)	16.1	5.2%
Total Net Exp.	2,797.8	3,417.1	(587.2)	2,829.9	32.1	1.1%		2,829.9	32.1	1.1%	(116.9)	(4.1%)	133.3	4.9%
Approved Positions	100.9	98.4		98.4	(2.5)	(2.5%)		98.4	(2.5)	(2.5%)				

The 2015 Recommended Operating Base Budget for Engineering Review & Acceptance of \$12.397 million gross and \$2.830 million net is \$0.032 million or 1.1% over the 2014 Approved Net Budget.

The **Engineering Review & Acceptance Service** provides engineering review and acceptance services to external clients including the development industry, utility companies, and public agencies, so as to ensure the integrity of City infrastructure is maintained and that development and third party works comply with applicable by-laws, standards and regulatory requirements.

Base budget pressures in Engineering Review & Acceptance are primarily due to the following:

- Salary and benefit costs related to COLA, Progression Pay, Step increases (\$0.471 million) for union/non-union staff consistent in both activities.
- Other base pressures include a reduction in recoveries from Engineering Review and Inspection Fees (applied as 5% of municipal infrastructure cost) to align with anticipated volumes for 2015 (\$0.500 million net) primarily in Development Application Review & Acceptance, but also to a lesser extent in 3rd Party Application Review & Acceptance.
- In addition, the base pressures were reduced by \$0.415 million net due to various revenue / recovery adjustments to align the budget with actual experience, primarily in the Development Application Review & Acceptance activity.

To help mitigate these base pressures, the Service area will reduce its overtime costs by \$0.032 million net primarily in the 3rd Party Application Review & Acceptance activity.

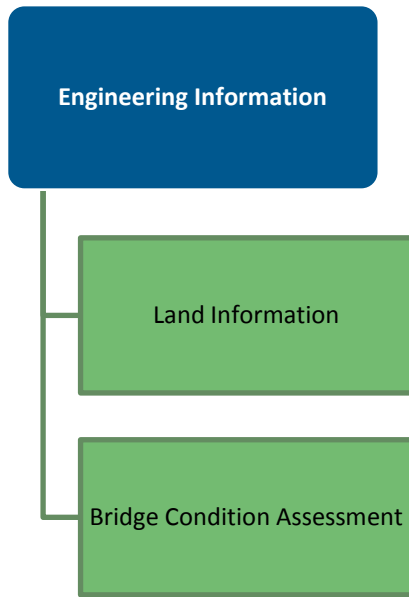
As well, the base pressures will be reduced by the increase above the rate of inflation for full stream utilities user fees (\$0.492 million) to achieve full cost recovery of the costs associated with the delivery of service primarily in Development Application Review & Acceptance.

In addition, the Service achieved line-by-line review savings of \$0.019 million net over both activities and will have additional revenue generated from user fees (\$0.044 million) based on a 2.25% inflationary factor reflected primarily in the Development Application Review & Acceptance activity.

The 2016 and 2017 Plans reflect inflationary cost increases for progression pay, step and fringe benefits in both activities of \$0.129 million and \$0.133 million respectively, however Cost of Living Adjustments (COLA) have not been included in 2016 and 2017 as it is subject to future contract negotiations.

In addition, the Plans in those years reflect partial recoveries for the projected salary and benefit increases. As well, 2016 includes the annualized impact of increasing the full stream utilities user fees above the rate of inflation in 2015 (\$0.246 million) primarily in Development Application Review & Acceptance.

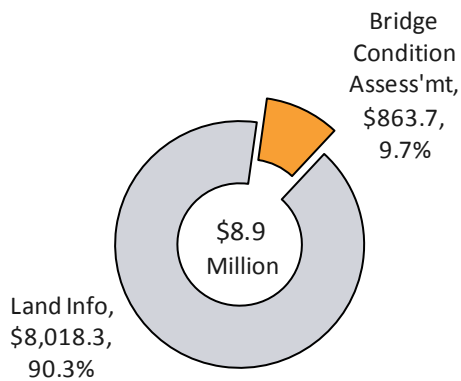
Engineering Information



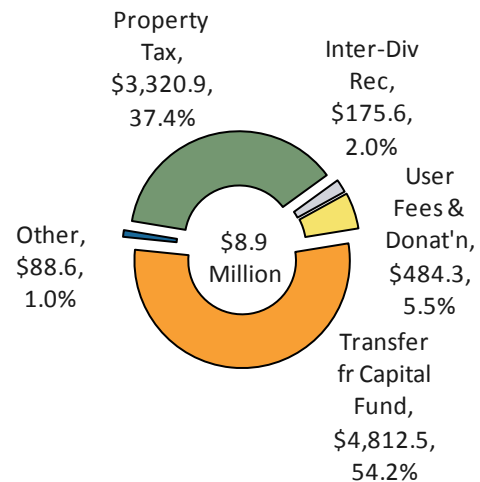
What We Do

- Establish and maintain effective technical and data support to the various business units across the division and cluster involved in managing and building the City's infrastructure.

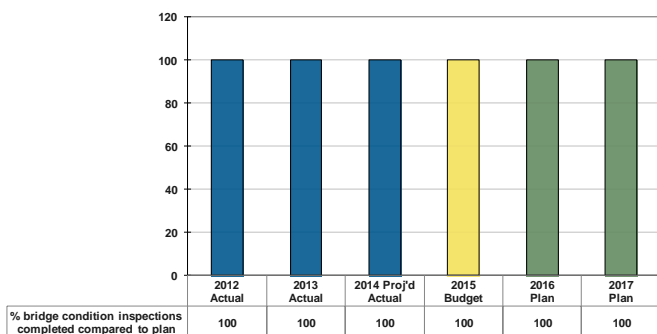
2015 Service Budget by Activity (\$000s)



Service by Funding Source (\$000s)



% bridge condition inspections completed compared to plan



- In 2014, ECS again completed 100% of planned bridge condition inspections.
- ECS is targeting to maintain a 100% completion rate in 2015 and future years for a 2-year bridge condition inspection cycle.

**2015 Service Levels
Engineering Information**

Activity	Type	Approved Service Levels			Recommended
		2012	2013	2014	2015
Land Information	Land Surveying	completed projects by estimate date, 90% of the time			completed projects by estimate date, 90% of the time
Land Information	Street Naming	N/A	recommendation within 6 months 90% of time		recommendation within 6 months 90% of time
Land Information	Municipal Numbering	N/A	provide comments within 5 working days, 100% of the time		provide comments within 5 working days, 100% of the time
Land Information	Utility Mapping	N/A	90% completion of planned km to update		90% completion of planned km to update
Bridge Condition Assessment	Bridge Inspection & Assessment	N/A	100% inspection compliance within regulatory timelines		100% inspection compliance within regulatory timelines

The 2015 Recommended Service Levels are consistent with the approved 2014 Service Levels.

**Table 9
2015 Recommended Service Budget by Activity**

	2014	2015 Recommended Operating Budget							Incremental Change						
	Approved Budget	Base Budget	Rec'd Service Changes	2015 Rec'd Base	Rec'd Base Budget vs. 2014 Budget	% Change	Rec'd New/Enhanced	2015 Rec'd Budget	2015 Rec'd Budget vs. 2014 Budget		2016 Plan		2017 Plan		
(\$000s)	\$	\$	\$	\$	\$	%	\$	\$	\$	%	\$	%	\$	%	
GROSS EXP.															
Land Information	7,834.8	7,857.7	(15.0)	7,842.7		7.9	0.1%	175.6	8,018.3	183.5	2.3%	80.2	1.0%	82.6	1.0%
Bridge Condition Assessment	813.4	863.7		863.7		50.3	6.2%		863.7	50.3	6.2%	11.6	1.3%	12.0	1.4%
Total Gross Exp.	8,648.2	8,721.5	(15.0)	8,706.5		58.3	0.7%	175.6	8,882.1	233.9	2.7%	91.9	1.0%	94.6	1.1%
REVENUE															
Land Information	4,454.1	4,582.5		4,582.5		128.4	2.9%	175.6	4,758.1	304.0	6.8%	40.9	0.9%	42.2	0.9%
Bridge Condition Assessment	754.1	803.1		803.1		49.0	6.5%		803.1	49.0	6.5%	11.3	1.4%	11.6	1.4%
Total Revenues	5,208.2	5,385.5		5,385.5		177.4	3.4%	175.6	5,561.1	353.0	6.8%	52.2	0.9%	53.8	1.0%
NET EXP.															
Land Information	3,380.8	3,275.3	(15.0)	3,260.3		(120.5)	(3.6%)		3,260.3	(120.5)	(3.6%)	39.3	1.2%	40.5	1.2%
Bridge Condition Assessment	59.3	60.7		60.7		1.4	2.3%		60.7	1.4	2.3%	0.4	0.6%	0.4	0.7%
Total Net Exp.	3,440.0	3,335.9	(15.0)	3,320.9		(119.1)	(3.5%)		3,320.9	(119.1)	(3.5%)	39.7	1.2%	40.9	1.2%
Approved Positions	83.1	82.3		82.3		(0.8)	(1.0%)	1.0	83.3	0.2	0.2%				

The 2015 Recommended Operating Base Budget for Engineering Information of \$8.707 million gross and \$3.321 million net is \$0.119 million or 3.5% under the 2014 Approved Net Budget.

The **Engineering Information Service** establishes and maintains effective technical and data support to the various business units across the Program and Cluster involved in managing and building the City's infrastructure.

Base budget pressures in the Engineering Information service primarily result from the following:

- Salary and benefit costs related to COLA, Progression Pay, Step increases (\$0.053 million) for union/non-union staff consistent in both activities.
- Other base pressures include \$0.602 million net due to various revenue/recovery adjustments to align the budget with actual experience, primarily in the Land Information activity.
- Offsetting more than these base pressures is the increased capital funding for positions delivering capital projects (\$0.767 million net) primarily in Land Information.

In addition, the Service achieved line-by-line review savings of \$0.015 million net in the Land Information activity.

The 2015 Recommended Operating Budget also includes funding of \$0.176 million gross, fully recovered from Parks, Forestry and Recreation (PF&R), in the Land Information activity.

- ECS will provide expertise to PF&R to manage parks that have been issued with Certificates of Property Use by the Ontario Ministry of the Environment related to soil and groundwater quality (1 Senior Project Manager).
- ECS will also standardize the policy for accepting potentially contaminated lands to be conveyed to the City under the Planning Act and enhance oversight of City properties subject to Certificates of Property Use.

The 2016 and 2017 Plans reflect inflationary cost increases for progression pay, step and fringe benefits in both activities of \$0.040 million and \$0.041 million respectively, however Cost of Living Adjustments (COLA) have not been included in 2016 and 2017 as it is subject to future contract negotiations. In addition, the plans in those years reflect partial recoveries for the projected salary and benefit increases.



Part III:

Issues for Discussion

Issues for Discussion

Issues Impacting the 2015 Budget

Re-structuring Strategy

- In 2013, Engineering & Construction Services began to implement a re-structuring strategy (that will continue to roll out over several years) to maximize effective delivery of services. As first described in the 2014 Approved Operating Budget, and included as part of the 2015 Recommended Operating Budget, Engineering & Construction Services has re-structured its program map from two to three services to better reflect ECS's activities and responsibilities.
- The delivery of clients' capital programs and major third party work has increased substantially over the past decade and is characterized by frequent workload peaks. These demands are difficult to accommodate even at a full staff complement and Engineering & Construction Services continues to experience difficulties in hiring skilled professional and technical staff due to the competitive market conditions in the Greater Toronto Area.
- The Program has launched an aggressive recruitment campaign. However, as experienced in the past, filling vacancies has been an on-going challenge for Engineering & Construction Services due to competitiveness in the market place. While considering the Capital Variance Report for the Year Ended December 31, 2013 at its meeting of July 8-11, 2014, Council directed that there be a review of salary compensation for professional engineer and project management professionals to facilitate retention of qualified professionals.
- Given the projected doubling of client's capital programs for projects delivered by ECS over the next three years, the Program proposes to increase the use of outside professional engineering services to meet the forecasted demand. Engineering & Construction Services will maintain a robust in-house core capacity of engineering expertise consisting of survey, design and inspection staff.
- In order to meet capital delivery requirements, Engineering & Construction Services uses externally contracted professional services. Contracting additional professional engineering services will allow the Program to meet the forecasted growth in construction activity while meeting tight project delivery timelines.
- In 2014, the following cross-divisional transfers were implemented: 3.0 positions to the Major Capital Infrastructure Coordination (MCIC) office within Policy, Planning, Finance & Administration (PPF&A); and 4.0 positions to Toronto Water. These positions align with functional activities resident in the other divisions.

User Fee Review

- The 2012 Comprehensive User Fee Review recommended that full cost determination and confirmation for all user fees be undertaken and opportunities for new user fees be investigated. User fees were to be regularly reviewed for full cost recovery and consistency with the City's User Fee Policy.
- In 2014, Engineering & Construction Services reviewed the Full Stream Utilities user fee and found that the fees recovered do not generate sufficient revenue when compared to the cost of providing the service.

- In 2015, the Program will increase the Full Stream Utilities user fee above the rate of inflation (\$0.666 million) to recover the costs associated with the delivery of this service. These increases are expected to be implemented starting May 1, 2015.
- As a result of the increase in Full Stream Utilities user fees in 2015, the 2016 plan reflects the annualization of the increase in revenue of \$0.333 million.

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

- In response to the recommendations of the City's Auditor General, the fee of 13.5% of construction costs, charged for design and construction work on third party projects, was approved by Council to be increased to 18.3% for 2013.
- The third parties include, but are not limited to TTC, City Programs other than Transportation Services and Toronto Water, other City Agencies, BIAs, utility companies, and provincial and federal government agencies. The intent of this fee is to establish a fair distribution of costs, since most of the third party costs are borne by the two major City Programs, Transportation Services and Toronto Water.
- Currently, this fee is only charged on TTC projects. However, the Executive Director of ECS issued a notification to start recovering costs incurred for work performed for engineering services on contracts on behalf of other third parties.
- The notification includes the following:
 - City Divisions, other than Transportation Services and Toronto Water, will be required to include the 18.3% fee as part of their budget submission for all 2015 third party projects that will be delivered by ECS.
 - The fee will be applied to all third party projects except where:
 - ✓ A formal memorandum of understanding or agreement defining compensation to Engineering & Construction Services for work done on third party projects;
 - ✓ A project-specific fee recovery structure has been negotiated may be appropriate based on project specific factors (it is also recommended that project specific agreements be negotiated to cover the costs of service); and/or
 - ✓ Fees for third party work are established through Canadian Transportation Agency (CTA) guidelines and other such legislation or prevailing industry guidelines.
- A review of the fee and policies will be undertaken on a regular basis to ensure that the full costs of engineering services provided by Engineering & Construction Services to third parties are appropriately recovered.

Future Year Issues

Capital Delivery

- ECS is projecting delivery of \$452 million in capital work by 2014 year-end, however the value of the capital program to be delivered is forecast to double to an estimated \$1.0 billion in 2018, which represents more than double the 2014 capital program. The expansion of the capital

program is primarily driven by increases in both the Toronto Water and Transportation Services' Capital Program.

- The re-structuring strategy described above is intended to accommodate this demand.
- ECS will continue to review capital Program requirements based on changes to the Approved 10-Year Capital Plan. This will ensure that appropriate staffing levels (increase or decrease) are maintained based on the need for capital delivery.



Appendices:

Appendix 1

2014 Service Performance

2014 Key Service Accomplishments

In 2014, Engineering & Construction Services accomplishments included the following:

Supported Environmental Sustainability

- ✓ Assessed the feasibility of using Recycled Concrete as road base, trench backfill and pipe bedding, and where deemed appropriate by the City's independent engineering consultant, initiated the development of City standards.

Improved Emergency Response & Prevention

- ✓ Developed an ECS Emergency Planning Framework, an ECS Emergency Response Plan for Bridge Infrastructure Issues, and an ECS Business Continuity Plan.

Supported Open Government by Design

- ✓ Initiated the development of an ECS - IT Blueprint and work plan for the harmonization and implementation of IT best practices and approaches
- ✓ Developed a web-based, interactive site for reporting Bridge Condition Assessments

Improved Customer Service

- ✓ Designed an ECS Construction Customer Service Plan for ongoing communications during planning and construction of infrastructure projects, including public notification.

Improved Service and Financial Planning

- ✓ Developed, in collaboration with Financial Planning and Purchasing and Materials Management Division, new multi-year Capital Program Management Consulting Engineer Assignments for the engineering design and contract administration of Toronto Water and Transportation Services' Linear Capital Programs
- ✓ Developed, in collaboration with Toronto Water, Financial Planning, Corporate Finance, Legal and PMMD, a new multi-year Program Management delivery model to increase the capacity and delivery of Toronto Water's Basement Flooding Protection Program
- ✓ Initiated, in consultation with Corporate IT, the acquisition and implementation of software/hardware which will provide for electronic service delivery of land development application review

Ensured State of Good Repair for Infrastructure

- ✓ Completed the Strategic Rehabilitation Plan for the F.G. Gardiner Expressway
- ✓ In collaboration with Corporate Finance, Financial Planning, Transportation Services, and Infrastructure Ontario, pursued an implementation and procurement strategy for the F.G. Gardiner Expressway Strategic Rehabilitation Plan
- ✓ Completed requisite bridge and structures inspections, and undertook any emergency repairs that were identified

2014 Financial Performance

2014 Budget Variance Analysis

(\$000s)	2012 Actuals	2013 Actuals	2014 Approved Budget	2014 Projected Actuals*	2014 Approved Budget vs. Projected Actual Variance	
	\$	\$	\$	\$	\$	%
Gross Expenditures	58,738.9	59,765.3	65,601.9	61,292.7	(4,309.2)	(6.6%)
Revenues	49,595.9	52,086.4	57,997.6	53,688.4	(4,309.2)	(7.4%)
Net Expenditures	9,143.0	7,678.9	7,604.3	7,604.3	(0.0)	(0.0%)
Approved Positions	496.1	486.1	541.1	536.1	(5.0)	(0.9%)

* Results based on the Third Quarter Variance Report

2014 Experience

- Engineering & Construction Services reported net over-spending of \$1.287 million or 17.0% of planned net expenditures for the nine-month period ended September 30, 2014.
- Gross expenditures were lower than planned by \$3.005 million or 6.4% due primarily to under-spending in salaries and benefits arising from vacant positions (\$2.795 million) and lower than planned contracted services (\$0.391 million) as a result of reduced need for third party engineering review.
- These lower expenditures were more than offset by under-achieved revenues of \$4.292 million or 11.0% mostly attributed to a reduction in capital recoveries for vacant positions (\$2.132 million), delayed recoveries of engineering review fees related to the Metrolinx Rapid Transit Implementation (\$1.509 million) and the delayed implementation of the 18.3% fee collected for the management of contracts for the Toronto Transit Commission, etc. (\$1.142 million).
- Engineering & Construction Services forecasts to be on budget at year-end. Year-end expenditures are projected to be under-spent (\$4.309 million) in salaries and benefits due to vacant positions throughout the year. However, these lower expenditures will be fully offset by lower than budgeted recoveries from client capital projects (\$4.309 million) resulting from vacant positions.
- As of September 30, 2014, Engineering & Construction Services reported strength of 477.9 positions, which was 70.2 positions below the approved complement of 548.1 positions. This represented a vacancy rate of 8.6% after considering gapping, as the budgeted gapping rate of 4.2% is equivalent to approximately 24.0 positions.
- By year-end, Engineering & Construction Services is projecting a strength of 536.1 positions, which is 12.0 positions below the complement of 548.1 positions, reflecting essentially full complement, after considering and achieving the gapping target throughout the year.

Impact of 2014 Operating Variance on the 2015 Recommended Budget

- Engineering & Construction Services is in the next phase of a Program-wide re-structuring, aimed at improving efficiencies and increasing annual capital delivery rates to support the forecasted

growth in the Capital Program needs of Toronto Water and Transportation Services. This also involves the utilization of a program management approach, including multi-year contracts for Engineering & Construction Services, managed by specialized program teams.

- The Program plans to continue an aggressive recruitment campaign. However, as experienced in the past, filling vacancies has been an on-going challenge for Engineering & Construction Services due to competitiveness in the market place. While considering the Capital Variance Report for the Year Ended December 31, 2013 at its meeting of July 8-11, 2014, Council directed that there be a review of salary compensation for professional engineer and project management professionals to facilitate retention of qualified professionals.
- To further support longer term staffing and succession planning needs, the Program's hiring strategy includes training, development and promotion of existing staff, active engagement of student co-op programs with colleges and universities and recruiting new graduates.

Appendix 2

2015 Recommended Operating Budget by Expenditure Category

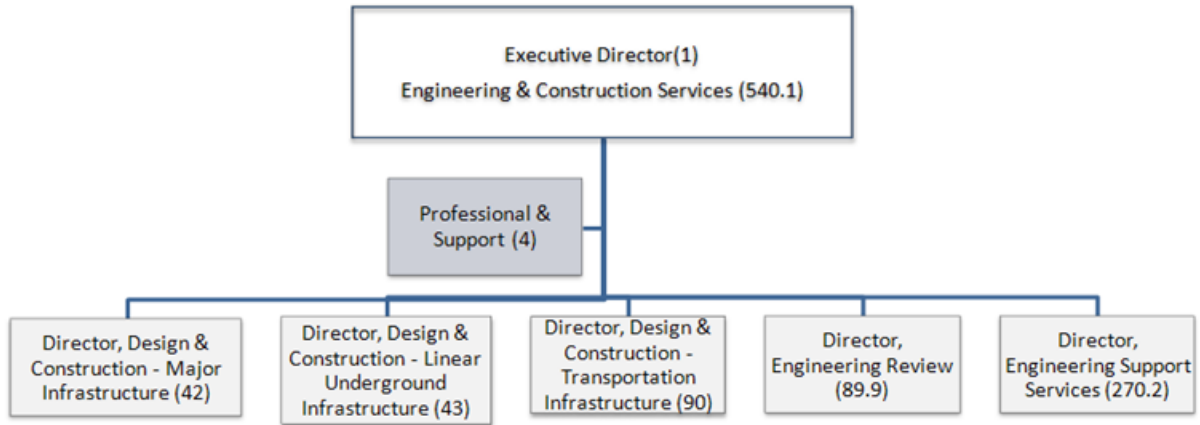
Program Summary by Expenditure Category

Category of Expense (\$000's)	2012	2013	2014	2014	2015	2015 Change from		Plan	
	Actual	Actual	Budget	Projected	Rec'd	2014 Approved		2016	2017
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	52,773.5	51,651.5	57,343.0		58,291.5	948.5	1.7%	59,015.7	59,761.6
Materials and Supplies	190.9	172.7	399.6		404.8	5.2	1.3%	404.8	404.8
Equipment	159.6	149.0	251.4		255.3	3.9	1.5%	255.3	255.3
Services & Rents	2,018.9	3,800.1	3,458.2		3,390.3	(67.9)	(2.0%)	3,390.3	3,390.3
Contributions to Capital									
Contributions to Reserve/Res Fur	765.7	771.7	778.7		720.7	(58.0)	(7.4%)	720.7	720.7
Other Expenditures	(6.1)	104.2							
Interdivisional Charges	2,836.4	3,116.1	3,371.0		3,835.7	464.6	13.8%	3,835.7	3,835.7
Total Gross Expenditures	58,738.9	59,765.3	65,601.9	61,292.7	66,898.3	1,296.4	2.0%	67,622.5	68,368.4
Interdivisional Recoveries	0.4	352.6			175.6	175.6		175.6	175.6
Provincial Subsidies									
Federal Subsidies									
Other Subsidies									
User Fees & Donations	6,260.2	4,818.4	6,305.6		5,292.5	(1,013.1)	(16.1%)	5,625.4	5,625.4
Transfers from Capital Fund	41,743.8	42,815.9	46,271.6		49,248.5	2,976.9	6.4%	49,794.7	50,357.2
Contribution from Reserve Funds									
Contribution from Reserve		412.1							
Sundry Revenues	1,591.5	3,687.4	5,420.4		4,577.4	(843.0)	(15.6%)	4,577.4	4,577.4
Required Adjustments									
Total Revenues	49,595.9	52,086.4	57,997.6	53,688.4	59,294.0	1,296.4	2.2%	60,173.1	60,735.5
Total Net Expenditures	9,143.0	7,678.9	7,604.3	7,604.3	7,604.3	0.0	0.0%	7,449.4	7,632.9
Approved Positions	496.1	486.1	541.1	536.1	540.1	(1.0)	(0.2%)	540.1	540.1

* Note: Based on the 9 month Operating Budget Variance Report

Appendix 3

2015 Organization Chart



2015 Recommended Complement

Category	Senior Management	Management	Exempt Professional & Clerical	Union	Total
Permanent	1.0	53.0	168.0	304.0	526.0
Temporary			8.0	6.1	14.1
Total	1.0	53.0	176.0	310.1	540.1

Appendix 4

Summary of 2015 Recommended Service Changes

**2015 Operating Budget - Staff Recommended Service Change
Summary by Service
(\$000s)**

Form ID		Citizen Focused Services B Program: Engineering & Construction Services	Adjustments				2016 Plan Net Change	2017 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		
2015 Staff Recommended Base Budget Before Service Change:			65,720.4	58,204.2	7,516.2	537.1	178.1	5.4

4309 **Full Stream Utility Fee increase above rate of inflation**

52 | 0 **Description:**

In keeping with the User Fee Policy, Engineering and Construction Services has reviewed its fees charged to utility companies and determined that the full cost should be recovered for: (1) reviewing applications that are identified as full-stream based on the classification criteria in Chapter 4 of the Municipal Consent Requirements for Installation of Plant within City of Toronto Streets and (2) providing inspection services for construction work resulting from full-stream applications. Full stream applications generally include, but are not limited to, the construction of new underground or surface infrastructure involving the relocation, removal or alteration of adjacent infrastructure, replacement of a pole where there is a change to the installation type, for example, replacing a direct buried pole with one bolted to a concrete pole base, and/or any work not classified as emergency or short-stream under the definitions contained in Chapter 4 of the Municipal Consent Requirements document. The current fee is \$600 per application and the new fee will be \$1,135 per application, representing an increase of \$535 per application. The increase will be implemented on May 1, 2015 and will result in a phase-in/annualization increase in revenue in 2016. Based on analysis of staff time to provide the application review and construction inspection services and applying 2014 pay scales, the cost to provide the service was much higher than the fees collected. Increasing the fee to \$1,135 will enable ECS to more fully recover its cost of services, as mandated by the City's User Fee Policy.

Service Level Impact:

The increase in Full Stream Utility Cut Permit Fees is to recover the actual costs of delivering the service. The service level will not change. The sole funding source for ECS review and inspection services for full stream application review and construction inspection is the Full Stream Utility Cut Permit Fee of \$600 per application, which was approved by Council at its meeting of March 31 and April 1, 2010.

Service: Engineering Review & Acceptance

Total Staff Recommended:	0.0	492.3	(492.3)	0.0	(246.1)	0.0
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Service: Municipal Infrastructure Construction

Total Staff Recommended:	0.0	173.4	(173.4)	0.0	(86.7)	0.0
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Staff Recommended Service Changes:	0.0	665.7	(665.7)	0.0	(332.8)	0.0
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**2015 Operating Budget - Staff Recommended Service Change
Summary by Service
(\$000s)**

Form ID		Citizen Focused Services B Program: Engineering & Construction Services	Adjustments				2016 Plan Net Change	2017 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		
Summary:								
		Staff Recommended Service Changes:	0.0	665.7	(665.7)	0.0	(332.8)	0.0
		Total Staff Recommended Base Budget:	65,720.4	58,869.9	6,850.5	537.1	(154.7)	5.4

Appendix 5

Summary of 2015 Recommended New / Enhanced Service Priorities

Summary by Service

(\$000s)

Form ID		Citizen Focused Services B Program: Engineering & Construction Services	Adjustments				2016 Plan Net Change	2017 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		

4372 Add 1 Sr. Project Mgr - Soil & Groundwater Quality for PF&R

74 1 Description:

Additional staffing and financial resources are required in order to manage growing complexities related to the development of brownfield lands into parkland. Addition of one Senior Project Manager to Soil and Groundwater Quality Unit of Engineering Review Section of ECS fully funded by Parks, Forestry and Recreation. The Soil and Groundwater Quality Unit of Engineering and Construction Services is known for its technical expertise in the management of soil and groundwater matters, and continues to develop methods to ensure environmental sustainability by integrating environmental requirements into the land development process. Parks, Forestry and Recreation division oversees parkland within the City of Toronto, some of which is subject to Ministry of the Environment issued Certificates of Property Use (CPU). A CPU is a control document, registered on title, which can limit or prohibit the property from certain uses and can impose certain risk management measures. Parks, Forestry and Recreation, as the owner of the parkland subject to a CPU, is obligated to maintain the requirements of the CPU to ensure that no adverse effects are associated with contaminants on site. Contravening any CPU requirements is an offence that can be prosecuted under the Ontario Environmental Protection Act. The management of CPUs on parkland is thus essential in order to ensure compliance with Health and Safety and regulatory requirements.

Service Level Impact:

The addition of a Senior Project Manager to the Soil and Groundwater Quality Unit of Engineering and Construction Services allows Parks, Forestry and Recreation to effectively and efficiently ensure that City parkland complies with CPU requirements.

Service: Engineering Information

Total Staff Recommended:	175.6	175.6	0.0	1.0	0.0	0.0
Staff Recommended New/Enhanced Services:	175.6	175.6	0.0	1.0	0.0	0.0

Category:

71 - Operating Impact of New Capital Projects 74 - New Services
72 - Enhanced Services-Service Expansion 75 - New Revenues

Summary by Service

(\$000s)

Form ID		Citizen Focused Services B Program: Engineering & Construction Services	Adjustments				2016 Plan Net Change	2017 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		

4373	Add 2 Sr. Project Mgrs - Basement Flooding for Toronto Water	
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72	0	Description:
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Addition of two Senior Project Managers needed to fulfil Council-approved expansion of the Basement Flooding Protection Program and acceleration of program delivery, fully funded by Toronto Water. The City's Basement Flooding Protection Program was originally approved by Council in 2006. This multi-year Program is directed at reducing the risk of basement and surface flooding during extreme storm events. When the Basement Flooding Protection Program was originally established, the City identified 31 chronic basement flooding study areas. Subsequently, the program was expanded to include 34 priority study areas. Following the extreme storm event of July 8, 2013, Council, at its meeting of December 16 to 18, 2013, approved a further expansion of the Program to 41 study areas. To deliver the expanded Program, City Council approved the Toronto Water capital plan which includes a 72% increase in annual planned expenditures to \$105.3 million (net of HST recoveries) in 2016; this level of funding is expected to be generally sustained through to 2023 as per Toronto Water's 2015-2023 Capital Plan. Delivery of the Program is shared between Toronto Water, which conducts Environmental Assessment studies for each area and prioritizes the infrastructure projects identified through the EA process, and Engineering and Construction Services, which is responsible for the design and construction of the infrastructure.

Service Level Impact:

The two additional positions will enable Engineering and Construction Services to increase capital delivery to align with the expanded Basement Flooding Protection Program.

Service: Municipal Infrastructure Construction

Total Staff Recommended:	248.5	248.5	0.0	2.0	0.0	0.0
Staff Recommended New/Enhanced Services:	248.5	248.5	0.0	2.0	0.0	0.0

Category:

- | | |
|---|-------------------|
| 71 - Operating Impact of New Capital Projects | 74 - New Services |
| 72 - Enhanced Services-Service Expansion | 75 - New Revenues |



2015 Operating Budget - Staff Recommended New and Enhanced Services
Summary by Service
 (\$000s)

Form ID		Citizen Focused Services B Program: Engineering & Construction Services	Adjustments				2016 Plan Net Change	2017 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		
Summary:								
		Staff Recommended New/Enhanced Services:	424.1	424.1	0.0	3.0	0.0	0.0

Appendix 6

Inflows/Outflows to/from Reserves & Reserve Funds

Corporate Reserve / Reserve Funds

Table 10

Reserve / Reserve Fund Name (\$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2014 \$	Rec'd Withdrawals (-) / Contributions (+)		
			2015 \$	2016 \$	2017 \$
Projected Beginning Balance			1,300.1	1,558.1	1,816.1
Vehicle Equipment Reserve	XQ1016		258.0	258.0	258.0
Total Reserve / Reserve Fund Draws / Contributions			258.0	258.0	258.0
Other Program / Agency Net Withdrawals & Contributions					
Balance at Year-End		1,300.1	1,558.1	1,816.1	2,074.1

* Based on the 9 month Commitments / Reserve Fund Variance Report

Table 11

Reserve / Reserve Fund Name (\$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2014 \$	Rec'd Withdrawals (-) / Contributions (+)		
			2015 \$	2016 \$	2017 \$
Projected Beginning Balance			21,307.7	21,770.4	22,233.1
Insurance Reserve Fund	XR1010		462.7	462.7	462.7
Total Reserve / Reserve Fund Draws / Contributions			462.7	462.7	462.7
Other Program / Agency Net Withdrawals & Contributions					
Balance at Year-End		21,307.7	21,770.4	22,233.1	22,695.7

* Based on the 9 month Commitments / Reserve Fund Variance Report

Appendix 7a

Recommended User Fees Adjusted for Inflation and Other

Rate Description	Service	Fee Category	Fee Basis	2014	2015			2016	2017
				Approved Rate	Inflationary Adjusted Rate	Other Adjustment	Budget Rate	Plan Rate	Plan Rate
Review of development files and environmental database to provide a response to inquiries regarding compliance with development agreements and identification of sites located on closed landfills.	Municipal Infrastructure Design & Construction	Full Cost Recovery	Per Review	\$63.72	\$1.43		\$65.15	\$65.15	\$65.15
Request for new municipal number as a result of a severance/consolidation of property	Engineering Information	Full Cost Recovery	Flat fee for assignment/re-assignment of first two numbers; then fee for each additional number assigned.	\$146.46 for first two nos; then \$36.95 for each additional no.	\$3.30		\$149.76	\$149.76	\$149.76
Changing municipal number	Engineering Information	Full Cost Recovery	Per Change	\$374.22	\$8.42		\$382.64	\$382.64	\$382.64
To perform engineering review and site inspection of utility infrastructure work within the City's Right of Way	Municipal Infrastructure Design & Construction	Full Cost Recovery	Per Application (For excavation of up to 1 kilometre)	\$600.00	\$0.00	\$535.00	\$1,135.00	\$1,135.00	\$1,135.00