

## Engineering and Construction Services

### 2014 OPERATING BUDGET OVERVIEW

#### What We Do

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

#### 2014 Budget Highlights

The total cost to deliver this Program to Toronto residents in 2014 is \$65.959 million as shown below.

(In \$000s)	Approved 2013 Budget	Recommended 2014 Budget	Change	
			\$	%
Gross Expenditures	70,552.8	65,958.9	(4,593.9)	-6.5%
Gross Revenue	62,948.5	58,354.6	(4,593.8)	-7.3%
Net Expenditures	7,604.3	7,604.2	(0.1)	0.0%

For 2014, Engineering and Construction Services identified \$1.013 million in opening budget pressures arising from increases in salary and benefit costs and decreases in utility cut permit revenues. However, the Program was able to offset these pressures through expenditure reductions and revenue increases.

As a result, Engineering and Construction Services will maintain their level of service in 2014 while at the same time absorbing all operating pressures.

[www.toronto.ca/budget2014](http://www.toronto.ca/budget2014)

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Fast Facts

- \$384 million in capital projects delivered in 2013, which is anticipated to grow to \$625 million by 2016.
- Undertaken 279 bridge condition inspections in 2013 and 516 in 2014.
- 2900 engineering reviews of development and third party applications.

Trends

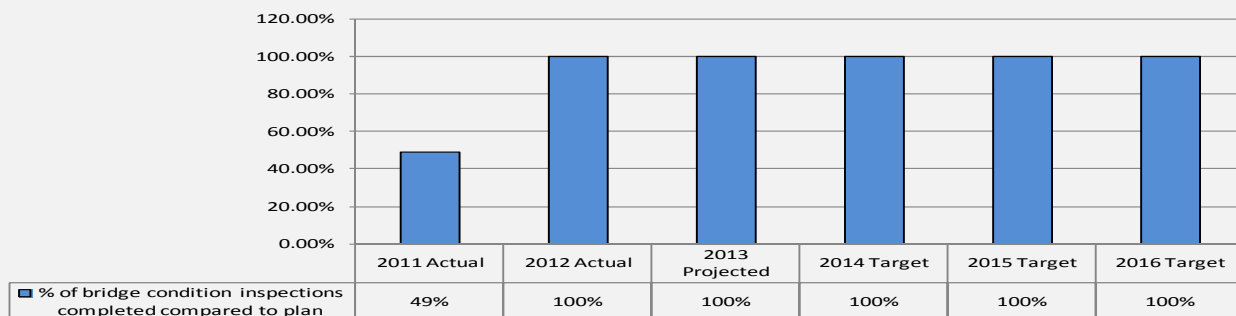
- The % of bridge condition inspections completed compared to plan has significantly increased from 49% in 2011 to 100% in 2012.
- In 2013, ECS is projecting to again complete 100% of planned bridge condition inspections.
- ECS is targeting to maintain a 100% completion rate in 2014 and future years 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.

Our Service Deliverables for 2014

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 2014 Operating Budget will:

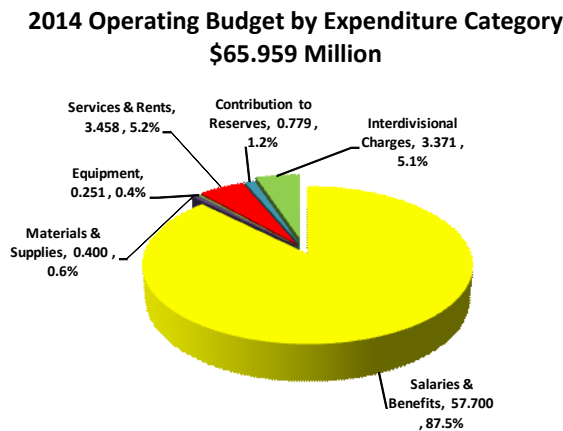
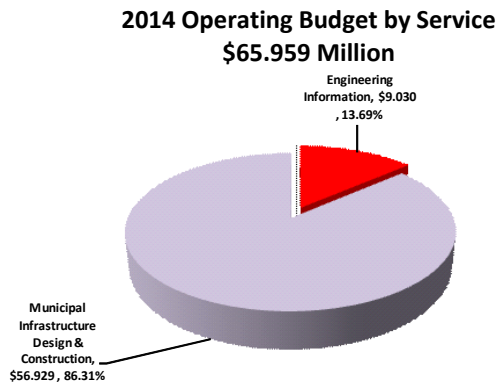
- Improve Service Delivery – continue with implementation of our new organizational structure which was initiated in 2013 – with the objective of reducing costs of engineering and increasing capital delivery throughout by increased use of external service providers.
- Increase Capital Delivery to 80% year end actual expenditure as a % of approved capital budget.
- Introduce and track new key performance indicators (KPIs) to measure overall capital delivery by delivery group and project managers.
- Sustain momentum for improved response times on review of development applications to 75% compliance with STAR timelines.
- Develop and implement business plan for electronic service delivery for Development and Third Party Application review.
- Refine and further develop full costing models for Capital Program Delivery and Engineering Review.
- Further Develop/Expand/Integrate with the Service Plan of the Project Tracking Portal (PTP) as a business planning and tracking tool - integrate costing models with PTP.
- Implement Continuous improvement to Health and Safety program.
- Enhance divisional communications and engagement of staff - develop/improve competencies for Management/Professional staff.

% of bridge condition inspections completed compared to plan

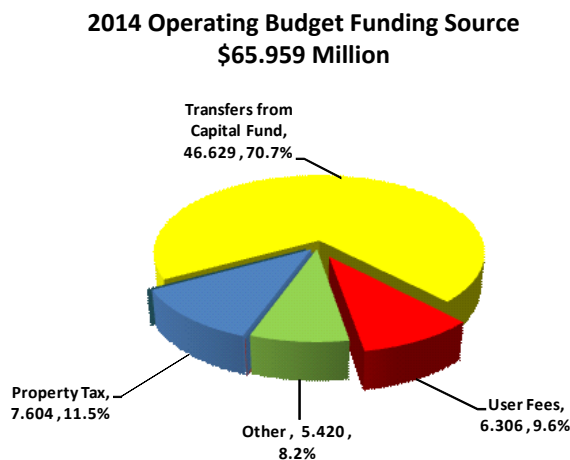


2014 Budget Expenditures & Funding

Where the money goes:



Where the money comes from:



Key Challenges and Priority Actions

- The value of the capital program to be delivered is forecast to essentially double to \$800M in 5 years. Most of the increase is driven by Toronto Water Infrastructure, both underground as well as at the plant facilities.

The 2014 Recommended Operating Budget provides funding to:

- ✓ Continue to expand Capital project delivery capacity to align with Toronto Water, Transportation Services and Solid Waste Management Services expanding capital programs.
- ✓ 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.
- ✓ To continue to roll-out over several years ECS' re-structuring strategy to maximize their ability to effectively deliver engineering services.
- ✓ Introduction and tracking of new key performance indicators (KPI's) to measure overall capital delivery by delivery group and project managers.

## II: RECOMMENDATIONS

### Recommendations

The City Manager and Chief Financial Officer recommend that:

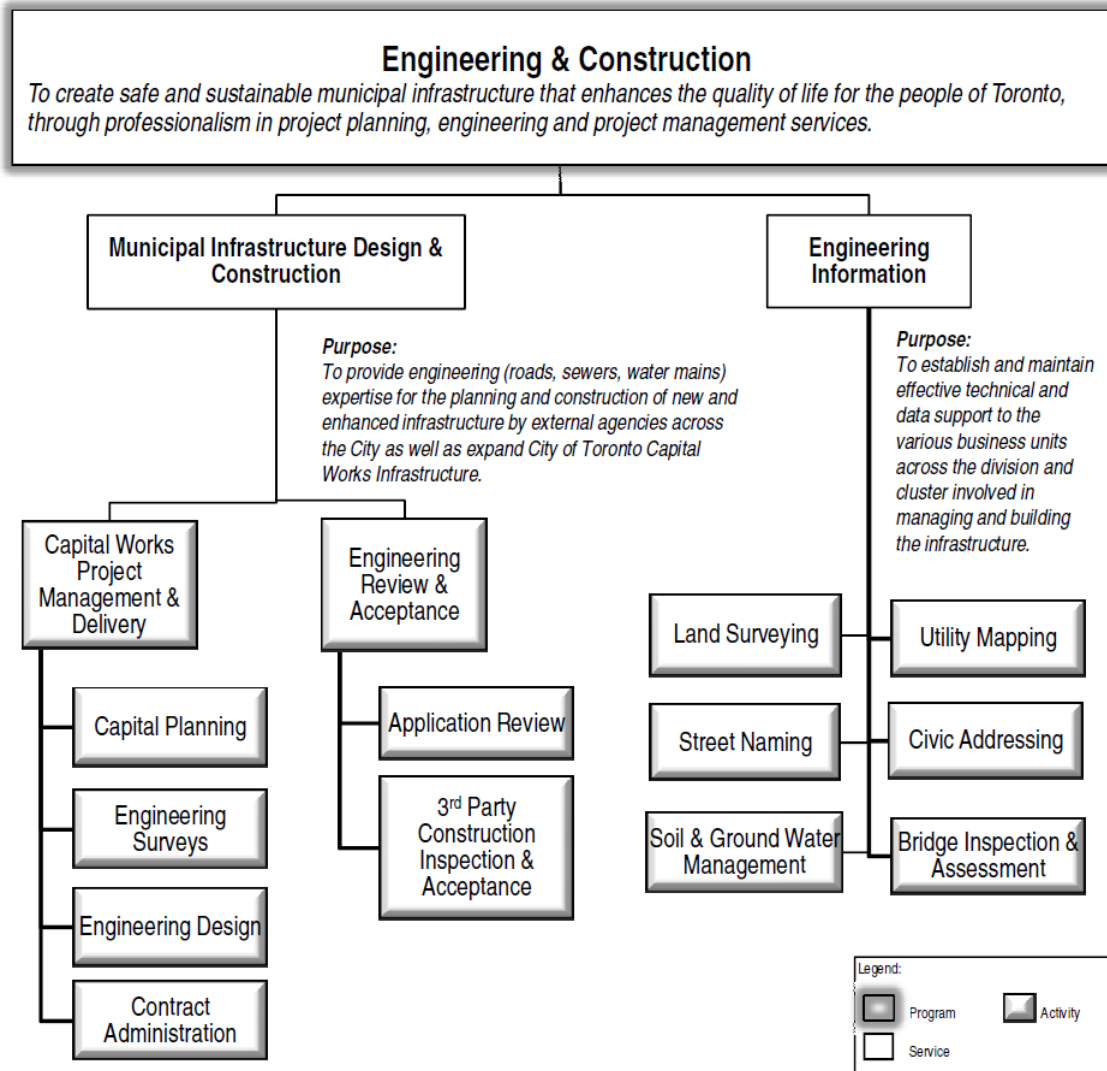
1. City Council approve the 2014 Recommended Operating Budget for Engineering and Construction Services of \$65.959 million gross and \$7.604 million net, comprised of the following services:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Engineering Information	9,029.6	2,167.1
Municipal Infrastructure Design & Construction	56,929.3	5,437.1
Total Program Budget	<u>65,958.9</u>	<u>7,604.2</u>

2. City Council approve Engineering and Construction Services 2014 recommended service levels, as outlined on page 8, and associated staff complement of 548.1 positions.
3. City Council direct the Executive Director of ECS to report to the Budget Committee on revised 2014 services and activities based on a re-structuring of its current program map from two to three services intended to better reflect ECS's activities and responsibilities, which is currently being finalized with FPARS project staff, prior to the 2015 Budget process.

### III: 2014 SERVICE OVERVIEW AND PLAN

#### Program Map



Service Customer

**Municipal Infrastructure Design & Construction**

- Toronto Water
- Transportation Services
- Solid Waste Management
- Toronto Transit Commission (TTC)
- City Planning
- Economic Development Culture and Tourism (EDCT) including Business Improvement Areas (BIA's)
- Parks, Forestry and Recreation
- Exhibition Place
- Utility Companies
- Agencies
- Third parties (Waterfront Toronto, GO Transit, etc)

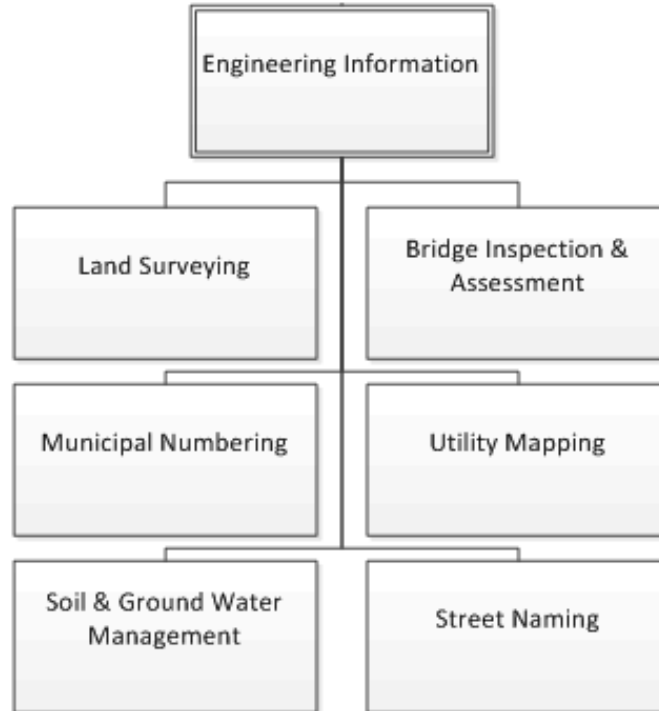
**Engineering Information**

- Technical Services
- Toronto Water
- Transportation Services
- City Planning
- Parks, Forestry, and Recreation
- Solid Waste Management
- Construction and Engineering Consulting Industry
- Development Industry
- Facilities and Real Estate
- Municipal Licensing & Standards
- The Public
- Members of Council
- Agencies
- Digital Map Owners Group (DMOG)

**2014 Service Deliverables**

The 2014 Recommended Operating Budget of \$65.959 million gross and \$7.604 million net for Engineering and Construction Services will fund the Program's ability to:

- Improve Service Delivery – continue with implementation of our new organizational structure which was initiated in 2013 – with the objective of reducing costs of engineering and increasing capital delivery throughout by increased use of external service providers.
- Increase Capital Delivery to 80% year end actual expenditure as a % of approved capital budget.
- Introduce and track new key performance indicators (KPIs) to measure overall capital delivery by delivery group and project managers.
- Sustain momentum for improved response times on review of development applications to 75% compliance of STAR timelines.
- Develop and implement business plan for electronic service delivery for Development and Third Party Application review.
- Refine and further develop full costing models for Capital Program Delivery and Engineering Review.
- Further Develop/Expand/Integrate with the Service Plan of the Project Tracking Portal (PTP) as a business planning and tracking tool - integrate costing models with PTP.
- Implement continuous improvement to Health and Safety program.
- Enhance divisional communications and engagement of staff - develop/improve competencies for Management/Professional staff.

**Service Profile: Engineering Information****What we do**

Establish and maintain effective technical information and provide data support to the various business units across the division and cluster involved in managing and building municipal infrastructure. The core activities include:

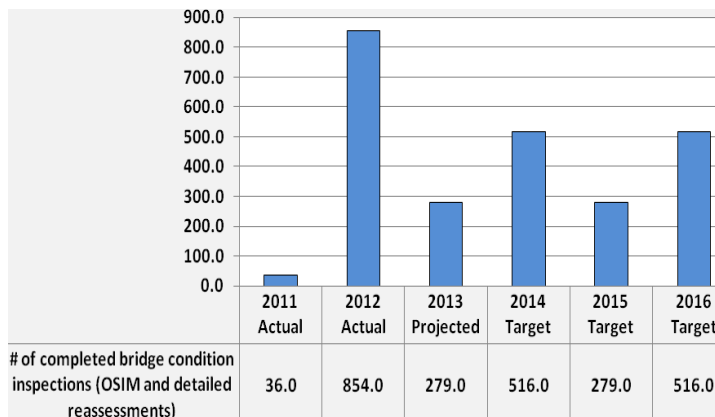
- processing of applications for the naming of new streets and renaming of existing streets; assignment of municipal numbers.
- perform land surveying for the determination of boundaries of municipal lands and protection of underground pipes through easements
- manage corporate soil and groundwater issues by providing strategic expertise on environmentally sustainable solutions
- conduct bridge condition assessments

2014 Recommended Service Levels

Activity	Service Levels			
	2011	2012	2013	2014 Recommended
Land Surveying	completed projects by estimate date, 90% of the time			completed projects by estimate date, 90% of the time
Street Naming	acknowledged receipt within 48 hrs and completed within estimate date, 90% of the time.		recommendation within 6 months 90% of time	recommendation within 6 months 90% of time
Municipal Numbering	acknowledged receipt within 48 hrs and completed within estimate date, 90% of the time.		provide comments within 5 working days, 100% of the time	provide comments within 5 working days, 100% of the time
Utility Mapping	4020 km of utility infrastructure updated		90% completion of planned km to update	90% completion of planned km to update
Soil & Ground Water Management			90% compliance within 20 working days	90% compliance within 20 working days
Bridge Inspection & Assessment			100% inspection compliance within regulatory timelines	100% inspection compliance within regulatory timelines

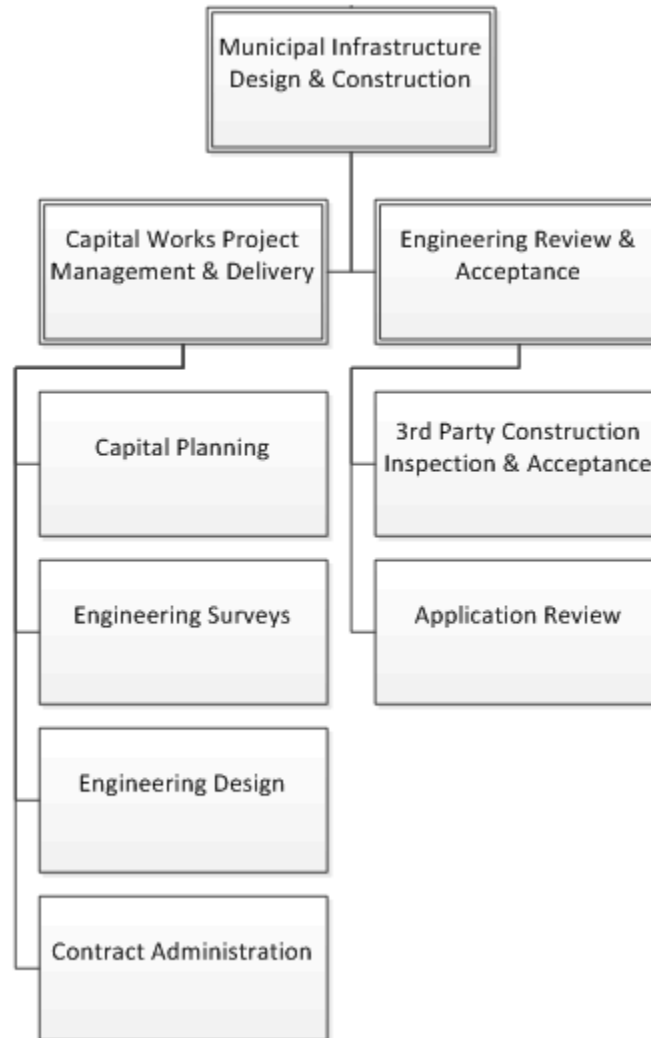
Service Performance Measures

Efficiency Measure – # of completed bridge condition inspections (OSIM and detailed reassessments)



- ECS maintains a 2-year cycle for bridge condition assessments that requires a consistent level of effort in each year but produces double the number of inspections in the second year of the cycle.
- In 2013, ECS is projecting to complete 279 bridge condition inspections that represent completion of 100% of planned inspections.
- ECS is targeting to maintain a 100% completion rate in 2014 which represents 516 bridge condition inspections.



**Service Profile: Municipal Infrastructure Design & Construction****What we do**

Provide engineering expertise for the planning and construction of new and enhanced infrastructure by external agencies across the City as well as expand City of Toronto Capital Works Infrastructure. The core activities include:

- Engineering and project management for the construction of new and upgraded municipal infrastructure (roads, sewers, watermains, stormwater management facilities, bridges, structures, water treatment facilities, wastewater facilities, and solid waste facilities)
- Engineering review and acceptance services to the development industry, utility companies and third parties on proposed modifications to and expansion of municipal infrastructure

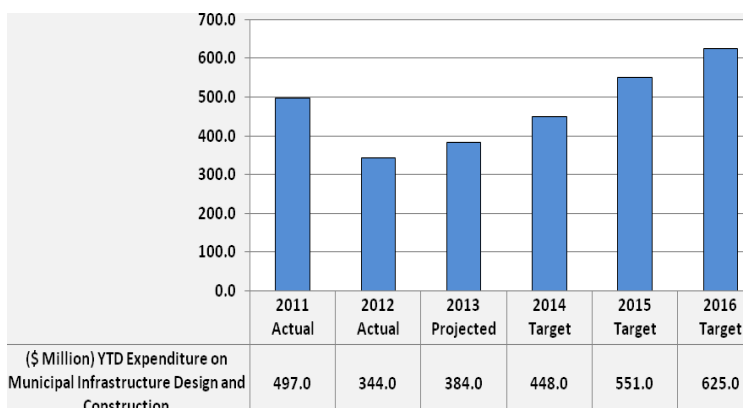
2014 Recommended Service Levels

Activity	Type	Sub-Type	Status	Service Levels			
				2011	2012	2013	2014 Recommended
Applications Review	Development Applications	Complex Submission	Approved	66.7% compliance rate	75% compliance rate		75% compliance rate
		Routine Submission	Approved	71.1% compliance rate	75% compliance rate		75% compliance rate
		Quick Submission	Approved	77.8% compliance rate	75% compliance rate		75% compliance rate
		Consent Application	Approved	Unknown until Service Standard is developed		75% compliance within 15 working days	75% compliance within 15 working days
	MOE Transfer of Review		Approved	110 applications reviewed within 10 days	115 applications reviewed within 10 days	100% compliance within 10 working days	<b>Service transferred to Toronto Water in year 2013</b>
	Utility Application Certificate	Full Stream	Approved	1350 of 1900 applications reviewed in 2011	90% of 3500 applications reviewed within 20 days	90% compliance within 15 working days	90% compliance within 15 working days
	Third Party application		Approved			90% compliance within 20 working days	90% compliance within 20 working days
3rd Party Construction Inspection & Acceptance	Acceptance of Municipal Infrastructure		Approved	TBD			TBD
Design	Annual Linear Pre-Design Reports		Approved	being phased in		90% compliance of planned pre-designed reports (PDR)	90% compliance of planned pre-designed reports (PDR)
Design			Approved	TBD		90% as scheduled	90% as scheduled
Design	Vertical Infrastructure Procurement		Approved	TBD		90% compliance of plan.	90% compliance of plan.
Design	Linear Infrastructure Procurement		Approved	TBD		90% compliance of plan.	90% compliance of plan.
Construction	Contracts		Approved	115 contracts	120 contracts	90% of planned capital expenditure	<b>80% Year End Actual Expenditure as a percentage of Approved Capital budget</b>

The 2014 Recommended Service Levels are consistent with the 2013 Approved Service Levels. There is a technical adjustment to construction contracts service level in order to provide better definition in the measurement with no impact of actual service level

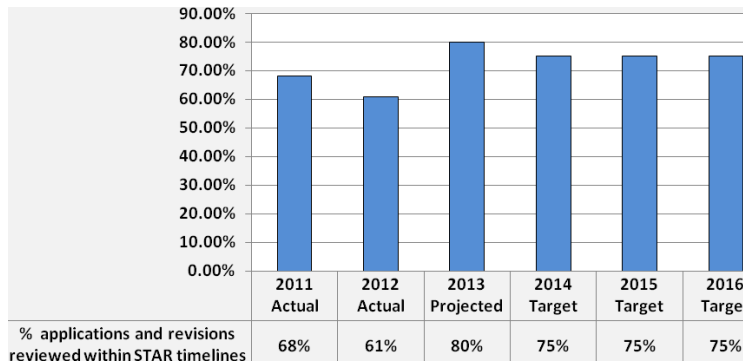
Service Performance Measures

Efficiency Measure – YTD Expenditure on Municipal Infrastructure Design and Construction



- ECS is experiencing substantial growth in construction activity for the clients' capital programs.
- \$384 million in capital projects are anticipated to be delivered in 2013.
- The 2014 Recommended Operating Budget is targeting the delivery of \$448 million in capital projects.
- It is anticipated that the value of capital projects delivered will grow to \$625 million by 2016.

**Effectiveness Measure – % applications and revisions reviewed within Streamlining the Application Review (STAR) timelines**



- ECS is projecting that 80% of applications and revisions will be reviewed within STAR timelines in 2013.
- This represents a significantly increased compliance over years 2011 (68%) and 2012 (61%).
- The 2014 and future years targets are to continue at 75% STAR timeline compliance.

## IV: 2014 Recommended Total Operating Budget

### 2014 Recommended Operating Budget (In \$000s)

(In \$000s)	2013		2014 Recommended Operating Budget			2014 Rec'd vs. 2013 Budget Approved Changes		Incremental Change 2015 and 2016 Plan			
	Approved Budget	Projected Actual	2014 Rec'd Base	2014 Rec'd New/Enhanced	2014 Total Budget			2015		2016	
	\$	\$	\$	\$	\$	\$	%	\$	%	\$	%
<b>Engineering Information</b>											
Gross Expenditures	8,851.8	8,688.8	9,029.6		9,029.6	177.8	2.0%	217.8	2.4%	86.9	1.0%
Revenue	6,616.9	6,569.7	6,862.4		6,862.4	245.5	3.7%	185.2	2.7%	73.9	1.1%
Net Expenditures	2,234.9	2,119.1	2,167.1		2,167.1	(67.7)	-3.0%	32.7	1.5%	13.0	0.6%
<b>Municipal Infrastructure Design &amp; Construction</b>											
Gross Expenditures	61,701.0	54,780.9	56,929.3		56,929.3	(4,771.7)	-7.7%	1,457.9	2.6%	581.6	1.0%
Revenue	56,331.6	49,295.8	51,492.2		51,492.2	(4,839.4)	-8.6%	1,239.2	2.4%	494.4	1.0%
Net Expenditures	5,369.4	5,485.1	5,437.1		5,437.1	67.7	1.3%	218.7	4.0%	87.2	1.6%
<b>Total</b>											
Gross Expenditures	70,552.8	63,469.7	65,958.9		65,958.9	(4,593.9)	-6.5%	1,675.7	2.5%	668.5	1.0%
Revenue	62,948.5	55,865.5	58,354.6		58,354.6	(4,593.9)	-7.3%	1,424.4	2.4%	568.2	1.0%
Total Net Expenditures	7,604.3	7,604.2	7,604.2		7,604.2	(0.0)	0.0%	251.4	3.3%	100.3	1.3%
Approved Positions	554.1	486.1	548.1		548.1	(6.0)	-1.1%		0.0%		0.0%

The 2014 Recommended Operating Budget for Engineering and Construction Services of \$65.959 million gross and \$7.604 million net is comprised of the following services:

- **The Engineering Information service** with a 2014 Recommended Operating Budget of \$9.030 million gross and \$2.167 million net is \$0.068 million or 3.0% below the 2013 Approved Budget of \$2.235 million net.
  - Base pressures are mostly attributable to inflationary increases in salaries and benefits, but these are more than offset by additional capital recoveries.
  - Future year incremental net costs are attributable to increases in salary and benefits of \$0.033 million in 2015 and \$0.013 million in 2016.
- **The Municipal Infrastructure Design & Construction service** with a 2014 Recommended Operating Budget of \$56.929 million gross and \$5.437 million net is \$0.068 million or 1.3% over the 2013 Approved Budget of \$5.369 million net.
  - Base pressures are primarily attributable to the loss of utility cut permit fee revenue, lower capital recoveries and inflationary increases in salaries and benefits. These pressures are somewhat offset by lower expenditures (i.e. transfer of contracted services costs to the capital program and the deletion of 6 positions).
  - Future year incremental net costs are attributable to increases in salaries and benefits of \$0.219 million net in 2015 and \$0.087 million net in 2016.

Approval of the 2014 Recommended Budget will result in a reduction of 6.0 staff positions to the Program's approved staff complement resulting in a change from 554.1 to 548.1 as highlighted in the following table:

## 2014 Recommended Total Staff Complement

Changes	2014 Budget	2015 Plan	2016 Plan
<b>Opening Complement</b>	570.1	548.1	548.1
In-year Adjustments	(16.0)		
<b>Adjusted Staff Complement</b>	<b>554.1</b>	<b>548.1</b>	<b>548.1</b>
<b>Recommended Change in Staff Complement</b>			
- Temporary Complement - capital project delivery			
- Operating impacts of completed capital projects			
- Other Salary & Benefits adjustments	(6.0)		
- Service Change Adjustments			
- New / Enhanced			
<b>Total</b>	<b>548.1</b>	<b>548.1</b>	<b>548.1</b>
<b>% Change over prior year</b>	<b>-1.1%</b>	<b>0.0%</b>	<b>0.0%</b>

- In 2013, re-structuring of the Program continued with the transfer of 13.0 positions responsible for the Landfill Management Program to Solid Waste Management Services and the transfer of 2.0 positions responsible for the Ministry of Environment's Transfer of Review Program to Toronto Water to better align services, as part of this adjustment there was also a deletion of 1.0 vacant position in the land surveying area.
- The 2014 Recommended Operating Budget includes the deletion of 6.0 vacant permanent full-time positions responsible for third party utility review work due to lower demand for major third party work.

2014 Recommended Base Budget  
(In \$000s)

(In \$000s)	2013 Approved Budget	2014 Rec'd Base	Change		Incremental Change			
			2014 Recommended Base vs. 2013 Approved Budget		2015 Plan		2016 Plan	
By Service	\$	\$	\$	%	\$	%	\$	%
<b>Engineering Information</b>								
Gross Expenditures	8,851.8	9,029.6	177.8	2.0%	217.8	2.4%	86.9	1.0%
Revenue	6,616.9	6,862.4	245.5	3.7%	185.2	2.7%	73.9	1.1%
<b>Net Expenditures</b>	<b>2,234.9</b>	<b>2,167.1</b>	<b>(67.7)</b>	<b>-3.0%</b>	<b>32.7</b>	<b>1.5%</b>	<b>13.0</b>	<b>0.6%</b>
<b>Municipal Infrastructure Design &amp; Construction</b>								
Gross Expenditures	61,701.0	56,929.3	(4,771.7)	-7.7%	1,457.9	2.6%	581.6	1.0%
Revenue	56,331.6	51,492.2	(4,839.4)	-8.6%	1,239.2	2.4%	494.4	1.0%
<b>Net Expenditures</b>	<b>5,369.4</b>	<b>5,437.1</b>	<b>67.7</b>	<b>1.3%</b>	<b>218.7</b>	<b>4.0%</b>	<b>87.2</b>	<b>1.6%</b>
<b>Total</b>								
Gross Expenditures	70,552.8	65,958.9	(4,593.9)	-6.5%	1,675.7	2.5%	668.5	1.0%
Revenue	62,948.5	58,354.6	(4,593.9)	-7.3%	1,424.4	2.4%	568.2	1.0%
<b>Net Expenditures</b>	<b>7,604.3</b>	<b>7,604.2</b>	<b>(0.0)</b>	<b>0.0%</b>	<b>251.4</b>	<b>3.3%</b>	<b>100.3</b>	<b>1.3%</b>
<b>Approved Positions</b>	<b>554.1</b>	<b>548.1</b>	<b>(6.0)</b>	<b>-1.1%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>

The 2014 Recommended Base Budget of \$65.959 million gross and \$7.604 million net represents a 0% increase over the 2013 Approved Budget of \$7.604 million net.

- The 2014 Recommended Base Budget provides \$1.013 million in funding for base budget increases which have been offset by \$0.992 million in recommended service budget reductions bringing the Program's base budget to \$7.604 million.
- The recommended budget reductions of \$0.992 million are achieved through a combination of base expenditure changes of \$5.207 million gross and base revenue changes with a net savings of \$0.992 million.

Key cost drivers resulting in base budget pressures of \$1.013 million are detailed below:

**Key Cost Drivers  
(In \$000s)**

(In \$000s)	2014 Rec'd Base Budget
<b>Expenditure Changes</b>	
<b>Economic Factors</b>	
COLA	149.7
Progression Pay	81.5
Local 79 Step Increases	23.6
<b>Other Base Changes</b>	
Reduction in Contracted Services budget (lower volume projected for major third party work)	(349.6)
<b>Total Changes</b>	<b>(94.8)</b>
<b>Revenue Changes - Base</b>	
Reduction in Full Stream Utility Review Fee Revenue	1,107.8
<b>Total Changes</b>	<b>1,107.8</b>
<b>Net Expenditures</b>	<b>1,013.0</b>

In order to offset the above pressures, base expenditure and revenue changes of \$0.992 million are recommended, as noted below:

## 2014 Recommended Service Change Summary by Program

(In \$000s)

Description (\$000s)	2014 Recommended Service Changes				Net Incremental Impact			
	Position Change	Gross Exp.	Net Expense	% Change over 2014 Budget	2015		2016	
					Net Expense	Pos.	Net Expense	Pos.
#	\$	\$	%	\$	#	\$	#	
<b>Base Changes:</b>								
<b>Base Expenditure Changes</b>								
Transfer of Contracted Services Budget to Capital (with reduction in capital recovery)		(4,678.6)		0.0%				
Reduction of salary and benefits for 6 positions due to lower projections for full-stream utility review applications and a corresponding reduction in recoveries through fees	(6.0)	(528.8)		0.0%				
<b>Base Expenditure Change</b>	<b>(6.0)</b>	<b>(5,207.4)</b>	<b>-</b>	<b>0.0%</b>				
<b>Base Revenue Changes</b>								
Increase in Development Application Review Fee Budget			(238.8)	-3.1%				
Increase in Other Recoveries Budget			(753.1)	-9.9%				
<b>Base Revenue Change</b>			<b>(991.9)</b>	<b>-13.0%</b>				
<b>Total Changes</b>	<b>(6.0)</b>	<b>(5,207.4)</b>	<b>(991.9)</b>	<b>-13.0%</b>				

The 2014 recommended service changes consist of base expenditure and revenue changes of \$1.342 million net bringing the 2014 Recommended Base Budget to \$7.604 million net representing a 0% increase over the 2013 Approved Budget of \$7.604 million.

The 2014 recommended service changes are discussed below:

**Base Expenditure Changes: (Savings of \$5.207 million gross, \$0 net)**

*Transfer of Contracted Services Budget (to Various Capital Budgets) (\$0.0 million net)*

- As part of the Program's initiative to enhance its service delivery model, a greater emphasis was placed on external contracted services. The 2013 Approved Operating Budget included a decrease in salaries and benefits of \$4.677 million that was offset by an equal increase in services and rents to reflect the implementation of the initial phase of the Program's restructuring strategy.
- ECS expenditures of \$4.677 million were approved for contracted services, funded from capital recoveries, resulting in the deletion of 56 vacancies supporting external contracting to enhance service delivery.
- In 2014, contracted services expenditures of \$4.679 million are being allocated to various capital budgets for better control, monitoring and accountability of capital related expenditures and planning.

*Reduction in Salary & Benefits Budget (\$0.0 million net)*

- The 2014 Recommended Operating Budget includes a reduction in salaries and benefits of \$0.529 million with an equal reduction in other recoveries (fee revenue) for the deletion of 6.0 permanent full-time vacant positions responsible for full-stream utility application review work due to lower application volumes than originally projected.

### Base Revenue Change (\$0.0 million gross, \$0.992 million net)

#### *Increase in Development Application Review Fee Budget (\$0.239 million net)*

- Increase in Development Application Review Fee budget (5% of total capital cost of municipal infrastructure required as a condition of development approval) is recommended based on the anticipated continued capital cost increases in 2014, resulting in a revenue increase of \$0.239 million.
- This increased revenue is required to offset the additional ECS costs arising from increased capital delivery requirements.
- In 2014, ECS is targeting the delivery of \$448 million in capital projects as compared to \$384 million in capital projects that are anticipated to be delivered in 2013.

#### *Increase in Other Recoveries Budget (\$0.753 million net)*

- Increase in Other Recoveries budget includes Contributions from Local Boards for ECS services (related to Metrolinx) for \$0.259 and adjustments to transfers from capital (part of re-structuring resulting in improved service delivery) for \$0.494 million based on the improved capital delivery model.

### 2015 and 2016 Plan (In \$000s)

Description (\$000s)	2015 - Incremental Increase					2016 - Incremental Increase				
	Gross Expense	Revenue	Net Expense	% Change	# Positions	Gross Expense	Revenue	Net Expense	% Change	# Positions
<b>Known Impacts:</b>										
Progression Pay	502.3	427.0	75.3	1.0%		507.7	431.5	76.2	1.0%	
Step Increases	160.8	136.7	24.1	0.3%		160.8	136.7	24.1	0.3%	
COLA and Fringe Benefits	1,012.6	860.7	151.9	2.0%		-	-	-		
<b>Sub-Total Known Impacts</b>	<b>1,675.7</b>	<b>1,424.4</b>	<b>251.4</b>	<b>3.3%</b>	<b>-</b>	<b>668.5</b>	<b>568.2</b>	<b>100.3</b>	<b>1.3%</b>	<b>-</b>
<b>Total Incremental Impact</b>	<b>1,675.7</b>	<b>1,424.4</b>	<b>251.4</b>	<b>3.3%</b>	<b>-</b>	<b>668.5</b>	<b>568.2</b>	<b>100.3</b>	<b>1.3%</b>	<b>-</b>

*Note COLA is excluded in 2016*

Approval of the 2014 Recommended Base Budget for Engineering and Construction Services will result in 2015 and 2016 incremental increases of \$0.251 million and \$0.100 million respectively to maintain the 2014 level of service.

Future year incremental costs are primarily attributable to the following:

#### Known Impacts

- Incremental gross expenditures are projected to increase by \$0.152 million in 2015 for a cost of living allowance (COLA).



- COLA has not been included in the 2016 Outlook as it is subject to future contract negotiations.
- Incremental gross expenditures are also forecasted to increase by \$0.075 million in 2015 and \$0.076 million in 2016 for costs related to progression pay; and \$0.024 million in 2015 and \$0.024 million in 2016 for step increases.

## V: ISSUES FOR DISCUSSION

### 2014 Issues

#### *User Fees*

- Transferred Fees
  - As a result of internal restructuring in the City, the staff group conducting the review under the Ministry of Environment's Transfer of Review Program was reassigned from Engineering and Construction Services to Toronto Water, effective February 6, 2013.
  - The transferred fees resulting from this change are listed in Appendix 6.
- 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 as Engineering & Construction Services does not yet have a policy in place to recover costs incurred for work performed for engineering services on contracts on behalf of other third parties.
  - The Executive Director of Engineering & Construction Services is currently working on a report with an implementation policy to apply this fee to all third parties ensuring costs are equitably and consistently recovered. It is anticipated that this report will be submitted to Council for consideration in the Spring of 2014.

#### *Re-structuring Strategy*

- In 2013, Engineering & Construction Services began to implement a re-structuring strategy (that will continue to be rolled-out over several years) to maximize their ability to effectively deliver engineering services. Essentially, the Program will reduce the current complement (through transfers, existing vacancies, future attrition and retirement trends) in order to increase the use of outside professional engineering services to provide more efficient service delivery of the capital program.
- Engineering & Construction Services will maintain a robust in-house core capacity of engineering expertise consisting of survey, design and inspection staff. Contracting additional professional engineering services will allow the Program to meet the forecasted growth in construction activity while meeting tight project delivery timelines.
- 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

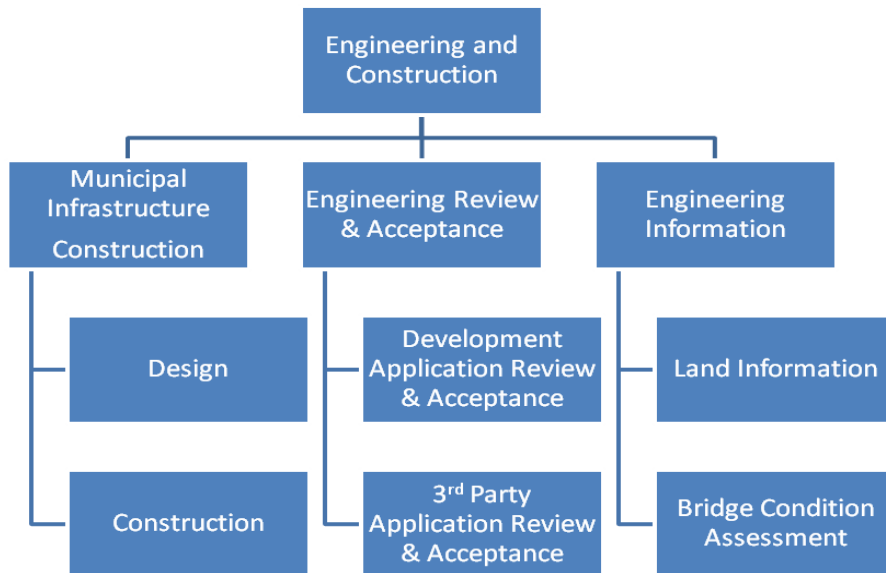
demands are difficult to accommodate even at a full staff complement and Engineering & Construction Services continues to experience difficulties in hiring skilled professional and technical staff due to the competitive market conditions in the Greater Toronto Area. In order to meet capital delivery requirements, Engineering & Construction Services uses externally contracted professional services quite extensively and the re-structuring will increase the use of this strategy.

*Capital Delivery*

- ECS is projecting delivery of \$384 million in capital work by year-end, however the value of the capital program to be delivered is forecast to double to an estimated \$800 million in 2018. Most of the increase is driven by Toronto Water capital needs, both underground infrastructure as well as at the facilities.
- 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.

*Re-structuring of ECS Services Program Map*

- Engineering & Construction Services is proposing a re-structuring of its current program map from two to three services in early 2014 to better reflect ECS’s activities and responsibilities.
- These revisions are being finalized between ECS and FPARS project staff with minor revisions and an administrative review is still required to finalize the proposed changes. Final changes should be complete and ready for Councils consideration in early 2014. The proposed Program Map and Services are described below:



Service	Activity	Purpose	Service customer
Municipal Infrastructure Construction	Design; Construction	To provide engineering and project management services for the construction of new and upgraded municipal infrastructure (roads, sewers, watermains, stormwater management facilities, bridges, water treatment facilities, wastewater facilities and solid waste facilities)	Toronto Water; Transportation Services, Solid Waste Management, Toronto Transit Commission (TTC), Parks, Forestry and Recreation, Economic Development Culture and Tourism (EDCT) including Business Improvement Areas (BIA's)
Engineering Review & Acceptance	Development Application Review & Acceptance; 3rd Party Application Review & Acceptance	To provide an engineering review and acceptance service to the development industry, utility companies and third parties on proposed modifications to and expansion of municipal infrastructure.	City Planning, Utility Companies, Third Parties (Waterfront Toronto, GO Transit, TTC, etc.), Toronto Water, Transportation Services, Development Industry
Engineering Information	Land Information; Bridge Condition Assessment	To establish and maintain effective technical and provide data support to the various business units across the division and cluster involved in managing and building the infrastructure	Toronto Water, Transportation Services, City Planning, Digital Map Owners Group (DMOG), Parks, Forestry and Recreation, Facilities, Real Estate Services, Waterfront Toronto

- It is recommended that City Council direct the Executive Director of ECS to report to the Budget Committee on revised 2014 services and activities based on a re-structuring of its current program map from two to three services intended to better reflect ECS’s activities and responsibilities, which is currently being finalized with FPARS project staff, prior to the 2015 Budget process and report back the associated budget adjustments to implement the new Program Map.

# Appendix 1

## 2013 Service Performance

### 2013 Key Accomplishments

In 2013, Engineering and Construction Services achieved the following results:

- Improved Service Delivery capacity - began implementation of our new organizational structure - reduced cost of engineering and increased capital delivery throughout by increased use of external service providers.
- Supported Major Capital Infrastructure Coordination Office (MCIC) in the further refinement and development of the City's multi-year capital coordination in collaboration with utility companies and other third parties.
- Increased compliance with STAR response deadlines for review of development applications by 23% over 2012.
- Refined and further developed full costing models for Capital Program Delivery and Engineering Review.
- Further Developed/Expanded/Integrated with the Service Plan of the Project Tracking Portal (PTP) as a business planning and tracking tool - integrate costing models with PTP.
- Implemented new Base Plan standards (starting point for detailed design) to ensure standardization and consistency for all Capital Works Projects (CWP) delivery agents, including External Service Providers.
- Implemented change management processes to reduce costs and streamline capital delivery.
- Initiated construction industry consultation and collaboration with respect to improvements to City construction contracts with the goal of achieving cost and schedule effectiveness and mitigating community disruption.
- Advanced Health and Safety knowledge and awareness and implemented further improvements to divisional H&S program including training/development.

## 2013 Financial Performance

2013 Budget Variance Analysis  
(In \$000s)

(\$000s)	2011 Actuals	2012 Actuals	2013 Approved Budget	2013 Projected Actuals*	2013 Approved Budget vs. Projected Actual Variance	
	\$	\$	\$	\$	\$	%
Gross Expenditures	59,471.0	58,738.9	70,552.7	63,469.7	(7,083.0)	(10.0)
Revenues	50,090.7	49,595.9	62,948.5	55,865.5	(7,083.0)	(11.3)
Net Expenditures	9,380.4	9,143.0	7,604.2	7,604.2	(0.0)	(0.0)
Approved Positions	529.1	496.1	554.1	486.1	(68.0)	(12.3)

## 2013 Experience

- The Program reported net under-spending of \$1.766 million or 20.0% of planned net expenditures for the nine-month period ended September 30, 2013, and is projecting to be at budget with no year-end variance compared to the 2013 Approved Net Operating Budget by year-end.
- Gross expenditures were lower than planned by \$7.337 million or 15.0% due primarily to savings in salaries and benefits from vacancies that were not filled (\$3.221 million) and lower than planned contracted services (\$3.589 million) as a result of delays in executing third party work.
- These lower expenditures were partially off-set by under achieved revenues of \$5.571 million or 13.9% mostly attributed to a reduction in capital recoveries resulting from the vacant positions (\$4.694 million) and delays in filling positions for Rapid Transit Implementation (\$0.497 million). The reduced revenues were also driven by under achieved third party review fee revenue (\$0.566 million) that will be off-set by lower spending in the related contracted services budget by year-end.
- The projected lower expenditures (\$7.083 million) are from savings in salaries and benefits from vacancies that have not been filled and lower than planned contracted services as a result of delays in executing third party work.
- Lower expenditures are fully off-set by lower than budgeted recoveries from client capital projects (\$5.808 million) resulting from vacant positions and lower than budgeted revenues from fewer utility applications (\$1.275 million).

## Impact of 2013 Operating Variance on the 2014 Recommended Budget

- At the end of September 2013, Engineering & Construction Services had approximately 68 vacant positions (554.1 budget vs. 486.1 actual).
- The Program will continue with its re-structuring strategy in 2014 that will reduce vacant positions (6.0) and increase its use of outside engineering services.

## Appendix 2

### 2014 Recommended Total Operating Budget by Expenditure Category

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

Category of Expense	2011	2012	2013	2013	2014	2014 Change from		2015	2016
	Actual	Actual	Budget	Projected	Rec'd	2013 Approved	%	Plan	Plan
	\$	\$	\$	\$	\$	\$		\$	\$
Salaries and Benefits	53,770.1	52,773.5	57,084.3	53,084.3	57,700.1	615.8	1.1%	59,375.8	60,044.3
Materials and Supplies	218.8	190.9	393.7	393.7	399.6	5.9	1.5%	399.6	399.6
Equipment	207.9	159.6	223.8	223.8	251.4	27.6	12.3%	251.4	251.4
Services & Rents	1,627.3	2,018.9	8,808.2	5,725.2	3,458.2	(5,350.1)	-60.7%	3,458.2	3,458.2
Contributions to Capital						-			
Contributions to Reserve/Res Fun	752.6	765.7	771.7	771.7	778.7	7.0	0.9%	778.7	778.7
Other Expenditures	19.6	(6.1)	-	-	-	-			
Interdivisional Charges	2,874.7	2,836.4	3,271.0	3,271.0	3,370.9	99.9	3.1%	3,370.9	3,370.9
<b>Total Gross Expenditures</b>	<b>59,471.0</b>	<b>58,738.9</b>	<b>70,552.7</b>	<b>63,469.7</b>	<b>65,958.9</b>	<b>(4,593.8)</b>	<b>-6.5%</b>	<b>67,634.6</b>	<b>68,303.1</b>
Interdivisional Recoveries	13.3	0.4				-			
Provincial Subsidies						-			
Federal Subsidies						-			
Other Subsidies						-			
User Fees & Donations	6,466.5	6,260.2	7,403.4	7,403.4	6,305.6	(1,097.8)	-14.8%	6,305.6	6,305.6
Transfers from Capital Fund	42,563.2	41,743.8	49,277.0	43,469.1	46,628.7	(2,648.4)	-5.4%	48,053.0	48,621.3
Contribution from Reserve Funds						-			
Contribution from Reserve			412.1	412.1	-	(412.1)	-100.0%	-	
Sundry Revenues	1,047.6	1,591.5	5,855.9	4,580.9	5,420.4	(435.5)	-7.4%	5,420.4	5,420.4
Required Adjustments						-			
<b>Total Revenues</b>	<b>50,090.7</b>	<b>49,595.9</b>	<b>62,948.5</b>	<b>55,865.5</b>	<b>58,354.7</b>	<b>(4,593.8)</b>	<b>-7.3%</b>	<b>59,779.1</b>	<b>60,347.3</b>
<b>Total Net Expenditures</b>	<b>9,380.4</b>	<b>9,143.0</b>	<b>7,604.2</b>	<b>7,604.2</b>	<b>7,604.2</b>	<b>(0.1)</b>	<b>0.0%</b>	<b>7,855.5</b>	<b>7,955.8</b>
<b>Approved Positions</b>	<b>529.1</b>	<b>496.1</b>	<b>554.1</b>	<b>486.1</b>	<b>548.1</b>	<b>(6.0)</b>	<b>-1.1%</b>	<b>548.1</b>	<b>548.1</b>

### 2014 Key Cost Drivers

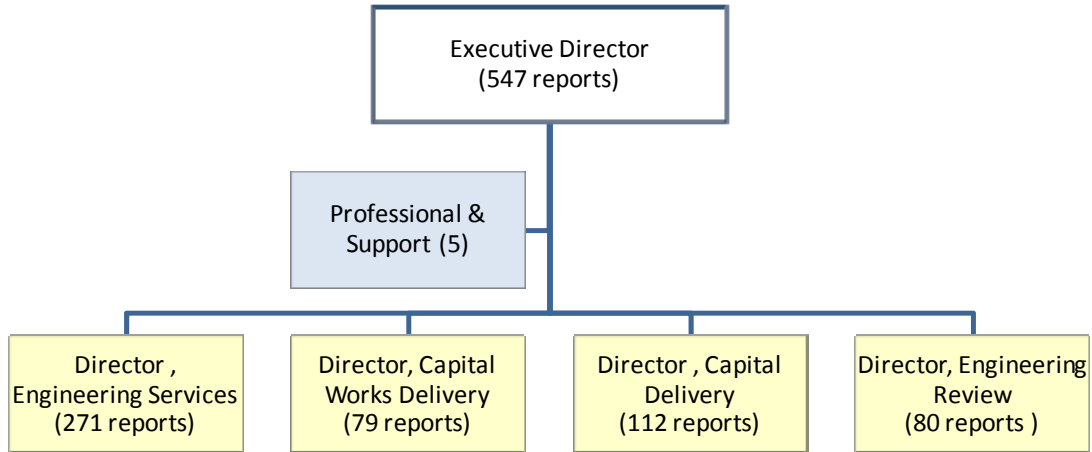
- **Salaries and benefits** costs increased by \$0.616 million or 1.1% primarily due to increases for progression pay, step and cost of living allowance (COLA). These increases were somewhat offset by the recommended deletion of 6.0 permanent full-time vacant positions responsible for third party utility review work due to lower demand for major third party work.
  - ECS will continue to experience the trend in salaries and benefits of actual expenditures tracking closer to budget as vacant position continue to be deleted, with funds allocated to contracted services as part of the re-structuring strategy.
- **Services and rents** costs decreased by \$5.350 million or 60.7% primarily due to reductions in contracted services as costs are being transferred to various capital budgets for better control, monitoring and accountability of capital related expenditures and planning. In addition, contracted services costs are lower due to reduced volume demand for utility review and major third party utility review work in Engineering Review.

- **User Fees** revenue has decreased by \$1.098 million or 14.8% primarily due to lower volumes in full stream utility review application fee revenues anticipated in 2014.
- **Recoveries from Capital** decreased by \$2.648 million or 5.4% which is mainly due to various expenditure decreases as a portion of these are funded through recoveries from clients' capital projects. For example, reductions in contracted services as these costs are being recovered through individual project capital accounts for better control, monitoring and accountability of capital related expenditures and planning, and the recommended deletion of 6.0 permanent full-time vacant positions responsible for full-stream utility application review work due to lower application volumes than originally projected.



## Appendix 2 - Continued

### 2014 Organization Chart



### 2013 Full and Part Time Staff

Category	Senior Management	Management	Exempt Professional & Clerical	Union	Total
Full-Time	1	54	172	321	548
Part-Time					-
Total	1	54	172	321	548

## Appendix 5

### Inflows/Outflows to/from Reserves & Reserve Funds

#### Corporate Reserve / Reserve Funds (In \$000s)

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2013 \$	Proposed Withdrawals (-) / Contributions (+)		
			2014 \$	2015 \$	2016 \$
Projected Beginning Balance			747.0	1,063.0	1,379.0
Vehicle Equipment Reserve	XQ1016		316.0	316.0	316.0
<b>Total Reserve / Reserve Fund Draws / Contributions</b>			<b>316.0</b>	<b>316.0</b>	<b>316.0</b>
<b>Other program / Agency Net Withdrawals &amp; Contributions</b>					
<b>Balance at Year-End</b>		<b>747.0</b>	<b>1,063.0</b>	<b>1,379.0</b>	<b>1,695.0</b>

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2013 \$	Proposed Withdrawals (-) / Contributions (+)		
			2014 \$	2015 \$	2016 \$
Projected Beginning Balance			18,307.0	36,761.7	51,416.4
Insurance Reserve Fund	XR1010		462.7	462.7	462.7
<b>Total Reserve / Reserve Fund Draws / Contributions</b>			<b>462.7</b>	<b>462.7</b>	<b>462.7</b>
<b>Other program / Agency Net Withdrawals &amp; Contributions</b>			<b>17,992.0</b>	<b>14,192.0</b>	<b>14,627.0</b>
<b>Balance at Year-End</b>		<b>18,307.0</b>	<b>36,761.7</b>	<b>51,416.4</b>	<b>66,506.1</b>

## Appendix 6

### 2014 User Fee Rate Changes

#### Inflation and Other Adjustment

Rate Description	Service	Fee Category	Fee Basis	2013	2014		2015	2016
				Approved Rate	Inflationary Adjusted Rate	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 - Engineering Design	Full Cost Recovery	Per Review	\$62.62	\$63.72	\$63.72	\$64.60	\$64.60
Changing municipal number	Engineering Information - Land Surveying	Full Cost Recovery	Per Change	367.78	\$374.22	\$374.22	\$382.30	\$382.30

#### Recommended User Fee Transfers

Rate Description	Fee Category	2013 Approved Rate	2014 Budget Rate	Transfer from	Transfer To
Record Search for sewer use by-law compliance violation	Full Cost Recovery	\$50.00	\$50.00	Engineering & Construction Services	Toronto Water
To review new sewer engineering designs	Full Cost Recovery	\$1,100.00	\$1,100.00	Engineering & Construction Services	Toronto Water
Review of applications for establishing or alteration of City of Toronto Drinking Water system	Full Cost Recovery	\$2,300.00	\$2,300.00	Engineering & Construction Services	Toronto Water
To Review application for sewer and watermain design	Full Cost Recovery	\$800.00	\$800.00	Engineering & Construction Services	Toronto Water
The review of storm and sanitary pump station, forcemains, and sanitary sewage detention chambers or oversized sewers	Full Cost Recovery	\$2,000.00	\$2,000.00	Engineering & Construction Services	Toronto Water
The review of facilities for attenuating stormwater runoff peak flow rate or volume or for managing stormwater runoff quality such as underground chambers, oversized sewers, and oil, grit and silt separators	Full Cost Recovery	\$2,200.00	\$2,200.00	Engineering & Construction Services	Toronto Water