



City Budget
2013

Facilities Management and Real Estate Operating Budget Analyst Notes

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

2013 Operating Budget

2013 OPERATING BUDGET ANALYST BRIEFING NOTES

BUDGET COMMITTEE, NOVEMBER 29, 2012

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PART I: RECOMMENDATIONS

**2013 Recommended Operating Budget
(In \$000s)**

(In \$000s)	2012		2013 Recommended Operating Budget			Change - 2013 Recommended		FY Incremental Outlook	
	Approved Budget	Projected Actual	2013 Rec. Base	2013 Rec. New/Enhanced	2013 Rec. Budget	Operating Budget v. 2012 Appvd. Budget		2014	2015
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	177,532.5	171,498.7	177,776.4	759.2	178,535.6	1,003.1	0.6%	1,090.8	1,065.3
REVENUE	118,397.9	112,713.1	118,352.0	759.2	119,111.2	713.3	0.6%	98.6	
NET EXP.	59,134.6	58,785.6	59,424.4	0.0	59,424.4	289.8	0.5%	992.2	1,065.3
Approved Positions	800.6	801.6	818.6	7.0	825.6	25.0	3.1%		

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

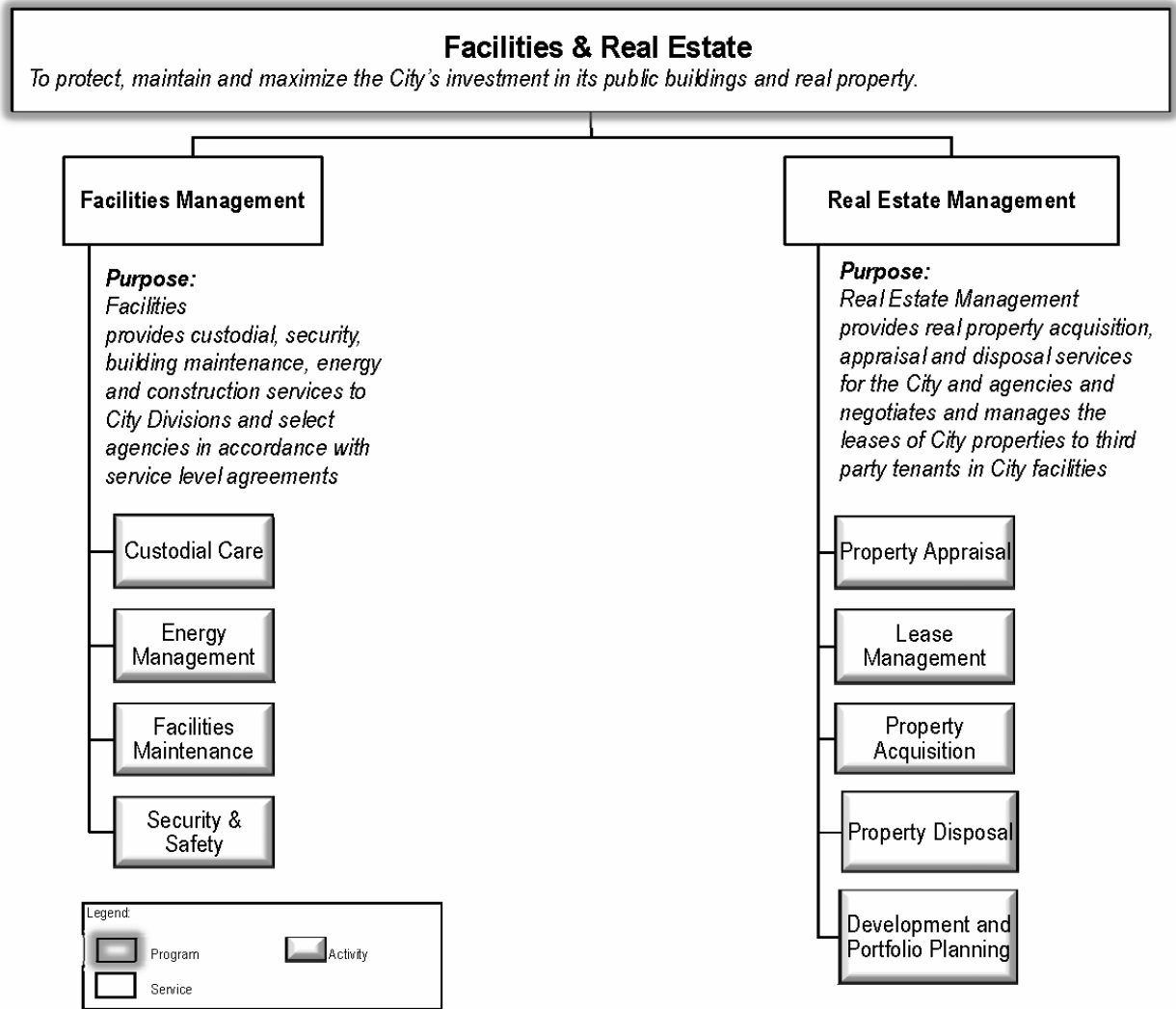
1. City Council approve the 2013 Recommended Operating Budget for Facilities Management and Real Estate of \$178.536 million gross and \$59.424 million net, comprised of the following services:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Facilities Management	153,109.3	83,919.1
Real Estate	25,426.3	(24,494.7)
Total Program Budget	<u>178,535.6</u>	<u>59,424.4</u>

2. Facilities Management and Real Estate's services and 2013 service levels, as outlined on pages 4 and 5, and associated staff complement of 825.6 positions be approved.
3. The three temporary positions recommended to address the reporting requirements for the Union Station Revitalization Project be approved and that the duration for the positions not exceed the life and funding for the project.
4. City Council approve the 2013 recommended user fee changes for Facilities Management and Real Estate identified in Appendix 6 (iii) – column C 'Other Adjustments' and the resultant Recommended Fee, and the appropriate adjustments be made to Municipal Code Chapter 441 "Fees and Charges".

PART II: 2013 SERVICE OVERVIEW AND PLAN

Program Map and Service Profiles



Service Customer

Facilities Management

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

Real Estate Management

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

2013 Recommended Service Levels

The 2013 proposed service levels for Facilities Management and Real Estate activities are summarized in the table below:

Service Types and Service Levels

Service	Activity	Sub-Activity	Type	Sub-Type	Approved 2012 Service Levels	Proposed 2013 Service Levels	
Facilities Management	Energy Management		Waste management			Grow corporate diversion rate beyond current 70% level	
			Energy supply agreements		Uninterrupted utility service as a result of contracting 100% of the time.	Uninterrupted utility service as a result of contracting 100% of the time.	
			Energy retrofits		Savings up to 25% of building energy use.	Savings up to 25% of building energy use.	
			Administer loan programs		100% loan repayments are received on time with no load defaults.	100% loan repayments are received on time with no load defaults.	
			Funding agreements		Average 22 MW per year.	Average 22 MW per year.	
			Renewable Energy		2 million kW.h generated and related revenues created.	1 million kW.h generated and related revenues created.	
	Security & Safety		Divisional Security Plans	Assessments		95% compliance	95% compliance
				Implementation of Security Plans		95% compliance	95% compliance
				Resolve Security threats		95% compliance	95% compliance
	Custodial Care			Cleaning Services for City Run Programs		90% compliance	90% compliance
				Cleaning Services for Non City Run Programs	Harbourfront	90% compliance	90% compliance
					Dovercourt Boys & Girls - 143 West	90% compliance	90% compliance
					St. Albans Boys & Girls - 843 Pal	90% compliance	90% compliance

Service Types and Service Levels

Service	Activity	Sub-Activity	Type	Sub-Type	Approved 2012 Service Levels	Proposed 2013 Service Levels
				University Settlement Rec Ctre	90% compliance	90% compliance
	Facilities Maintenance		Facilities Maintenance	Scheduled Maintenance-Preventative	95% compliance	95% compliance
				Unscheduled Maintenance-On Demand	90% compliance	90% compliance
			Space planning & accommodation			
			Asset Facility Management / Preservation		90% compliance	90% compliance
			Environmental assessments		95% compliance	95% compliance
			Regulatory Compliance		100 % compliance	100 % compliance
Real Estate Management	Property Appraisal		Properties Appraised		90 % compliance	90 % compliance
	Lease Management		Property Leasing		95 % compliance	95 % compliance
			Negotiate new leases		95 % compliance	95 % compliance
			Renew leases		95 % compliance	95 % compliance
			Terminate leases		100% compliance	100% compliance
			Lease Payments		100 % compliance	100 % compliance
			Receive Lease Revenue		95 % compliance	95 % compliance
			Property Assessment	Property Assessment Review	100 % compliance	100 % compliance
				Savings & Revenues	100 % compliance	100 % compliance
	Development & Portfolio Planning		Planning and Development	Review Property Portfolio	100% compliance	100% compliance
	Property Disposal		Real Estate Disposal	Market Rates	100% compliance	100% compliance
	Property Acquisition		Real Estate Acquisitions and Expropriations		80 % compliance	80 % compliance

2013 Service Deliverables

The 2013 Recommended Operating Budget of \$178.536 million gross provides funding to:

- Maintain City facilities in a clean, safe, and accessible manner as per Council approved maintenance standards.
- Ensure the City's property portfolio is optimal and meets program requirements.
- Continue to implement key recommendations of the Facilities Governance Review under the Facilities Transformation Project and updates to the Service Level Agreements (SLAs) with client programs.
- Monitor and promote the use of standard facilities protocols under the Facilities Maintenance Standards within City programs.
- Conduct building conditions assessments on 20% of the building stock.
- Develop and implement Council priority capital projects including: Union Station Redevelopment, Nathan Phillips Square Redevelopment and St Lawrence Market North.
- Fully utilize SAP facilities management functionality by implementing preventative maintenance capabilities.
- Reduce energy demand and greenhouse gases and increase use of renewable energy technologies and clean energy generation.
- Administer the Sustainable Energy Funds comprised of two distinct funds (Toronto Energy Conservation Fund and Toronto Green Energy Fund) and administer the BBP Loan Repayment Reserve Fund.
- Ensure the waste diversion rate meets or exceeds the City target of 70% diversion.
- Acquire properties within the timeframes established and within 10% of appraised value.
- Identify properties surplus to the City's needs and disposed at 90% or better of appraised value.
- Maximize lease revenue by negotiating optimal leasing arrangements.

PART III: RECOMMENDED BASE BUDGET

**2013 Recommended Base Budget
(In \$000s)**

(In \$000s)	2012 Approved Budget	2013 Rec'd Base	Change 2013 Recommended Base vs. 2012 Appvd. Budget		FY Incremental Outlook	
			\$	%	2014	2015
	\$	\$	\$	%	\$	\$
GROSS EXP.	177,532.5	177,776.4	243.9	0.1%	992.2	1,065.3
REVENUE	118,397.9	118,352.0	(45.9)	0.0%		
NET EXP.	59,134.6	59,424.4	289.8	0.5%	992.2	1,065.3
Approved Positions	800.6	818.6	18.0	2.2%		

2013 Recommended Base Budget

The 2013 Recommended Base Budget of \$177.776 million gross and \$59.424 million net is \$0.290 million or 0.5% over the 2012 Approved Budget of \$59.135 million net. The 2013 Recommended Base Budget provides \$3.554 million gross, \$2.428 million net in funding for base budget increases, representing an increase of 4.1% over the 2012 Approved Budget, offset by \$0.921 million gross, \$2.143 million net, bringing the Program's base budget to \$0.290 million of 0.5% over the budget target of a 0% increase.

In 2012, Facilities Management and Real Estate outsourced the cleaning at Toronto Police Stations and the annualized savings in 2013 is \$0.304 million gross. Although the savings are realized in the client's Budget, Facilities Management and Real Estate is receiving the recognition of the savings. When applied, the Program has a 0% increase over the 2012 Approved Net Budget.

- The recommended budget reductions of \$2.133 million net include base budget savings of \$0.225 million net, savings from efficiencies of \$0.701 million net and net revenue increases of \$1.217 million net.
- Approval of the 2013 Recommended Base Budget will result in an increase to the Program's approved staff complement resulting from the addition of 1 temporary and 1 permanent position to support Capital Projects, a deletion of 2 temporary positions no longer required to support capital projects and adding back 18 positions that were eliminated in the 2012 Approved Operating Budget to address the reversal of a 2012 service level reduction for outsourcing services. The total staff complement will change from 800.6 to 818.6 as highlighted in the table below:

**2013 Recommended Staff Complement
Base Budget Summary**

Changes	Staff Complement
2012 Approved Complement	799.6
- 2012 In-year Adjustments	1.0
2012 Approved Staff Complement	800.6
2013 Recommended Staff Complement Changes	
- 2013 Temporary Complement - Capital Project Delivery	1.0
- 2013 Operating Impacts of Completed Capital Projects	1.0
- 2013 Base Changes	16.0
- 2013 Service Change Adjustments	
Total 2013 Recommended Complement	818.6

- One temporary position is required for capital project delivery for the Capital Asset Data Integration Project.
- One on-going permanent senior business and system analyst is required to support the Facilities Preventative Maintenance System.
- Eighteen positions have been added back for contracting out services which are not proceeding (primarily contracting out at the St. Lawrence Market)
- Two positions are being deleted from the Business System and Reporting unit, funded from the Facilities Management and Real Estate's Capital Budget.

2013 Recommended Service Change Summary

(In \$000s)

Description	2013 Recommended Service Changes				Net Incremental Impact			
	Position Changes	Gross Expense	Net Expense	% Change over 2012 Budget	2014		2015	
					Net Expenditur	Position Change	Net Expenditur	Position Change
Base Changes:								
Base Expenditure Changes								
Adjustments to Salaries and Benefits based on Actual Experience		(185.1)	(185.1)	-0.3%				
Adjustments to Non-Salary Expenses based on Actual Experience		(35.0)	(35.0)	-0.1%				
Base Expenditure Changes		(220.1)	(220.1)	-0.4%				
Base Revenue Changes								
User Fee Increase			(5.0)	0.0%				
Base Revenue Changes			(5.0)	0.0%				
Sub-Total Base Budget Changes		(220.1)	(225.1)	-0.4%				
Service Efficiencies								
Utility Savings		(700.7)	(700.7)	-1.2%				
Sub-Total Service Efficiencies		(700.7)	(700.7)	-1.2%				
Revenue Adjustments:								
Increase in Leasing Revenue			(463.6)	-0.8%				
Increase in Rent at Old City Hall			(250.0)	-0.4%				
SWM Occupancy Charges			(503.6)	-0.9%				
Sub-Total Revenue Adjustments			(1,217.2)	-2.1%				
Total Service Changes		(920.8)	(2,143.0)	-3.6%				

2013 Recommended Service Changes

The 2013 recommended service changes consist of base expenditure and revenue changes of \$0.225 million net, service efficiency savings of \$0.701 million net, and revenue adjustments of \$1.217 million net, totaling \$2.143 million, representing a decrease of 3.6% from the 2012 Approved Budget which offsets the programs' incremental base budget pressures of \$2.428 million or a 4.1% increase, bringing the 2013 Recommended Base Budget to \$0.289 million or 0.5% over the 2012 Approved Budget of \$59.135 million.

Base Expenditure Changes: (\$0.220 million gross, savings of \$0.220 million net)*Adjustments to Salaries and Benefits Based on Actual Experience*

- The salaries and benefits budget was adjusted due to previously vacant positions being filled at lower salaries than budgeted, resulting in savings of \$0.185 million net.

Adjustments to Non-Salary Expenses Based on Actual Experience

- Based on a detailed review of actual spending, various non-salary expenses were adjusted, resulting in savings of \$0.035 million net. These non-salary expenses include various materials and supplies expenses.

Base Revenue Changes: (Net Revenue of \$0.005 million)*User Fees*

- Inflation increases to fees charged for film shoots at City of Toronto locations, room rental rates at Memorial Hall and Farmer's Market spots at Metro Hall, along with an increase to

the Farmer's Market rates to align with market value, results in increased revenue of \$0.005 million.

Service Efficiencies: (\$0.701 million gross, savings of \$0.701 million net)

Utilities Energy Demand Forecast and Efficiencies

- Based on a detailed review of actual spending on utilities over the past few years, savings of \$0.701 million net will be realized in 2013.

Revenue Adjustments: (Net Revenue of \$1.217 million)

Increased Leasing Revenue

- Along with a number of long-term leases coming up for renewal, Real Estate will research and establish new leasing locations and opportunities that will generate \$0.464 million in new revenue.

Increased Rent at Old City Hall

- Upgrades to Old City Hall, such as air-conditioning has increased the value of spaces. Real Estate will increase the rent to the Province of Ontario who is a tenant at Old City Hall by \$0.250 million to reflect increased costs and market value.

Solid Waste Management Occupancy Charges

- Rate programs in civic centres should be charged an occupancy cost to reflect full cost recovery. In order to be consistent with this policy, Solid Waste will begin to pay \$0.503 million for the use of City Hall, Metro Hall and Scarborough Civic Centre.

2014 and 2015 Outlook (In \$000s)

Description	2014 - Incremental Increase					2015 - Incremental Increase					Total Net % Change from 2013
	Gross Expense	Revenue	Net Expense	% Net Change from 2013	# Positions	Gross Expense	Revenue	Net Expense	% Net Change from 2014	# Positions	
Known Impact											
Annualization Operating Impact	85.0		85.0	0.1%					1.0%		2.0%
Progression Pay	343.0		343.0	0.6%		343.0		343.0	0.6%		1.2%
Step	40.5		40.5	0.1%		40.5		40.5	0.1%		0.2%
COLA (not including Lump Sum)	523.7		523.7	0.9%		681.8		681.8	1.1%		2.0%
Sub-Total Known Impacts	992.2		992.2	1.7%		1,065.3		1,065.3	1.8%		3.5%
Sub-Total - Anticipated Additional Impacts											
Total Incremental Impacts	992.2		992.2	1.7%		1,065.3		1,065.3	1.8%		3.5%

Approval of the 2013 Recommended Base Budget for Facilities Management and Real Estate will result in a 2014 incremental cost increase of \$0.992 million and a 2015 incremental cost increase of \$1.065 million to maintain 2013 service levels.

Future year incremental costs are primarily attributable to the following:

Known Pressures

- Annualization of the operating impact of a completed capital project in 2013 for \$0.085 million in 2014. Phase 1 of the Facilities Preventative Maintenance system has been completed, which has resulted in a new mobile solution for maintenance. A new resource will be required for the day-to-day administration, front-line application support and sustainment actions for the new mobile solution.
- COLA, progression pay, step and benefit changes in 2014 and 2015 of \$0.907 million net and \$1.065 million net respectively.

PART IV: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS

**2013 Recommended New/Enhanced Service Priority Actions
(In \$000s)**

Description	2013 Recommended			Net Incremental Impact			
	Gross Expense	Net Expenditures	New Positions	2014		2015	
				Net Expenditures	# Positions	Net Expenditures	# Positions
Enhanced Service Priorities							
Conversion from Temp to Perm DCAP PM's							
Sub-Total - Enhanced Service Priorities							
New Service Priority Actions							
Old City Hall - HVAC	420.0		3.0				
Union Station Revitalization	339.2		3.0				
Energy Management			1.0				
Sub-Total New Service Priorities	759.2		7.0				
Total New / Enhanced Service Priorities	759.2		7.0				

2013 Recommended New / Enhanced Service Priority Actions

Enhanced Service Priorities

Conversion of 5 Project Managers in Design, Construction and Asset Preservation Unit (DCAP) from Temporary to Permanent

- Facilities Management and Real Estate has been unable to attract sufficient qualified and experienced staff to fill 5 temporary positions in DCAP. The capital program continues to expand and planned project work is not being completed on a timely basis due to understaffing. It is anticipated that once these positions are converted to permanent status they will be able to fill them.
- There is no financial impact as the budget for these positions already exist and are funded from Facilities Management and Real Estate's Capital Budget.

New Service Priorities

Old City Hall HVAC Maintenance

- Facilities Management is currently upgrading the HVAC system at Old City Hall. The Deep Lake Water system has been implemented and the major components of the HVAC system are expected to be completed in 2013. To operate the new systems will require three permanent Building Operator 1 positions, effective April 1, 2013, at a cost of \$0.170 million and a \$0.250 million increase in materials and supplies to maintain the equipment.
- These costs will be no net impact to the City, as the tenant of Old City Hall (Province of Ontario) will have their rent increased by this amount.
- The 2014 incremental cost will be \$0.041 million gross and \$0 net.

Union Station Revitalization

- The Auditor General has released the report "A Mid-Term Review of the Union Station Revitalization: Managing Risks in a Highly Complex Multi-Year, Multi-Stage, Multi-Million Dollar Project" which advises that City requires more reporting, re-inspections and overall

management for the Union Station Revitalization capital project. In order to meet this recommendation, effective February 1, 2013, two temporary Project Manager Positions and one Senior Budget Analyst, at a cost of \$0.339 million are required. The positions will join the implementation team and will assist with the day-to-day financial and administrative needs on the project, including new reporting requirements.

- The positions will be \$0 net impact on the Facilities Management and Real Estate's Operating Budget, as costs will be recovered from the Union Station Capital Budget.
- The 2014 incremental cost will be \$0.042 million gross, \$0 net.

Energy Management – BAS Coordinator

- The Auditor General's Report "Review of the Energy Retrofit Program at Community Centres and Arenas" identified that many of the arenas and community centres are not using their new green technology properly. In order to provide training and ensure proper use, one permanent Building Automation Systems (BAS) Coordinator position in the Energy and Waste Management Office is recommended, effective April 1, 2013, at a cost of \$0.095 million. The costs will be fully offset by utility savings in the same amount.

Part V: ISSUES FOR DISCUSSION

2013 and Future Year Issues*Core Service Review and Efficiency Study Implementation*

On September 26 and 27, 2011 City Council adopted a report that addressed the results of the detailed Core Service review conducted by KPMG. At that time, City Council requested the City Manager to review the remaining efficiency related opportunities to determine whether and in what manner implementation is appropriate through the 2012, 2013 and 2014 Operating Budget. Opportunities identified for Facilities Management and Real Estate were:

- *1 - Process Improvements: Automate work management processes.*
Status: Facilities Management and Real Estate have two projects in their 2013 Recommended Capital Budget to automate the work request intake processes and continue the creation of a mobility and asset tracking solution.

- *2 - Shared Services: Revise the Facilities Management and Real Estate operating model.*
Status: Currently, the Facilities Transformation Project is underway which will ensure that all City-owned facilities are operated and maintained in a manner that meets operating needs and protects these assets into the future. This involves transferring both the Capital and Operating Budgets of various divisions into the Facilities Management and Real Estate respective budgets.

The transfer of Fire's Operating Budget for facilities maintenance has been signed and is expected to take place in early 2013. Transfers of Municipal Licensing & Standards, Transportation Services and Court Services Operating Budgets should be completed by the end of 2012. Capital transfers for state of good repair projects for Long-Term Care Homes & Services, Shelter, Support & Housing Administration and Children's Services should take effect during 2013. Capital and operating budget transfers for Economic Development & Culture and Parks, Forestry & Recreation are scheduled to take place in 2014.

- *3 – Outsource Custodial, Security, General Maintenance and Associated Management*
Status: Cleaning at twenty-five (25) Toronto Police Service locations has been outsourced to an external contracted service provider. This was completed as Phase I of Custodial Services Alternate Service Delivery (ASD) Project in 2012. Existing external contracted services were expanded at the Civic Centres and some Toronto Water locations as part of Phase II ASD. Other potential areas for ASD have been identified and a report will be going to Committee and Council in early 2013 which will address issues identified with contracting out these services further. Depending on the outcome of the report, there may be more opportunities to contract out.
- *4 -- Portfolio Optimization- Consolidate Externally Leased Space*
Status: Real Estate is continuing to work with client divisions to identify opportunities to consolidate leased space as leases are expiring or coming up for renewal.
- *5 – Portfolio Optimization – Rationalize Existing Space and Property*

Status: Real Estate continues to review the City's portfolio of properties for development opportunities for Build Toronto and to sell surplus land that is deemed not appropriate for development.

▪ *6 – Sale/Leaseback of Owned Buildings*

Status: Real Estate reviewed the opportunity to sell and leaseback Metro Hall. This was presented to Government Management Committee and not approved. Real Estate Services will continue to look for appropriate opportunities and bring forward as the portfolio changes over time.

2013 Recommended User Fee Changes

In accordance with the City's User Fee policy, inflationary increases automatically apply to most user fees. Please see Appendix 6(ii) for User Fee increases as a result of inflation. In addition, several user fees have been increased to reflect market rates. These are outlined in Appendix 6(iii), Column C 'Other Adjustments'.

Issues Referred to the 2013 Operating Budget Process

Community Partnership and Investment Program Budgets

At its meeting of April 27, 2012, Budget Committee considered a letter from Councillor Shelley Carroll that requested City Council to direct that the 2013 Operating Budget guidelines include a requirement to include inflationary increases to Community Partnership and Investment Program (CPIP) budgets, based on current Toronto Consumer Price Index data. This matter was referred to the 2013 Operating Budget process by Budget Committee.

Community grants included in the 2013 Recommended Operating Budget for Facilities Management and Real Estate support the Harbourfront Community Centre, Dovercourt Boys and Girls Club, St. Alban Boys and Girls Club and University Settlement Recreation Centre.

The 2013 Recommended Operating Budget does not include an increase for CPIP budgets in accordance with the City Manager's budget guidelines directing a 0% increase over 2012.

Appendix 1 2012 Performance

2012 Key Accomplishments

In 2012, Facilities Management and Real Estate achieved the following results:

- ✓ Continued progress on the redevelopment of Union Station, Nathan Phillips Square and the St. Lawrence Market North.
- ✓ Achieving positive results from the new client service model with multiple client contact points with overall client satisfaction ratings of 71% from the last City-wide survey.
- ✓ Exceeded the facilities waste diversion target of 70% reducing the load on landfill and pressing toward best in class results of 90%.
- ✓ Introduced second generation client service level agreements focused on building excellent client relationships and key service performance outcomes.
- ✓ Completed building condition assessments on 20% or 70 facilities in the FM & RE portfolio.
- ✓ Identified properties for transfer to Build Toronto with an approximate market value of \$100M representing 50 acres to date.

2012 Performance

Efficiency Measure – Operating Cost per Square Foot

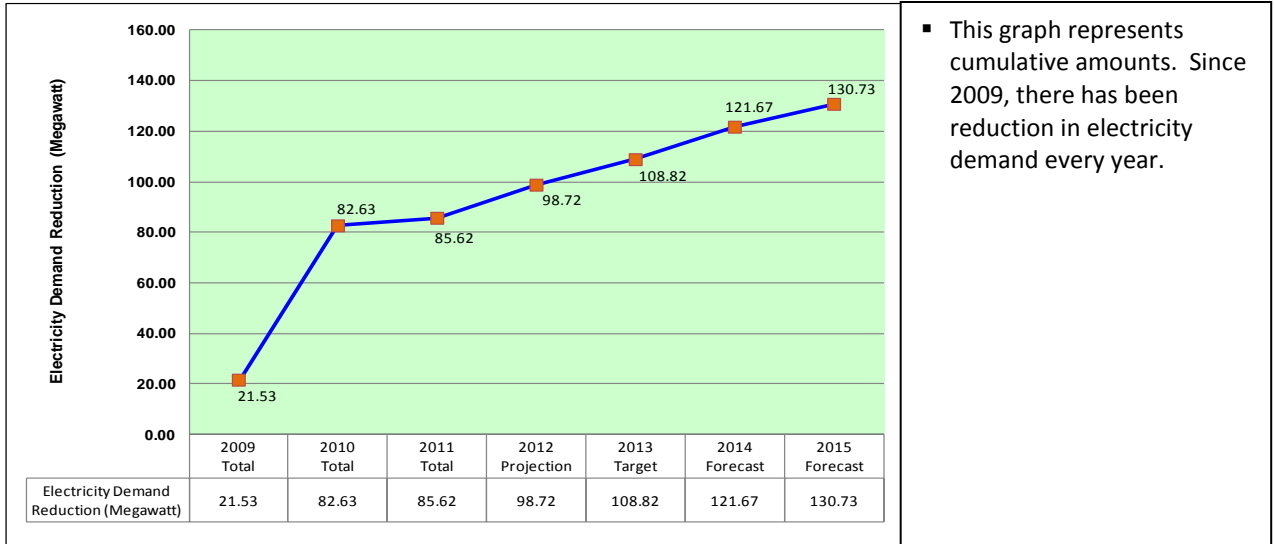
- Facilities Management strives to operate efficiently to maintain a square foot cost allocation that reflects good value for money in a municipal setting.



- 2011 Actual Costs: Custodial \$3.25, utilities \$3.88, maintenance \$3.70, and security \$2.24
- Costs have been decreasing due to: workforce planning to utilize a mixed service model for custodial and maintenance services; emphasizing a preventative maintenance plan and updating a control system to realize energy efficiencies.

Efficiency Measure – Reduction in Demand for Electricity (Megawatt)

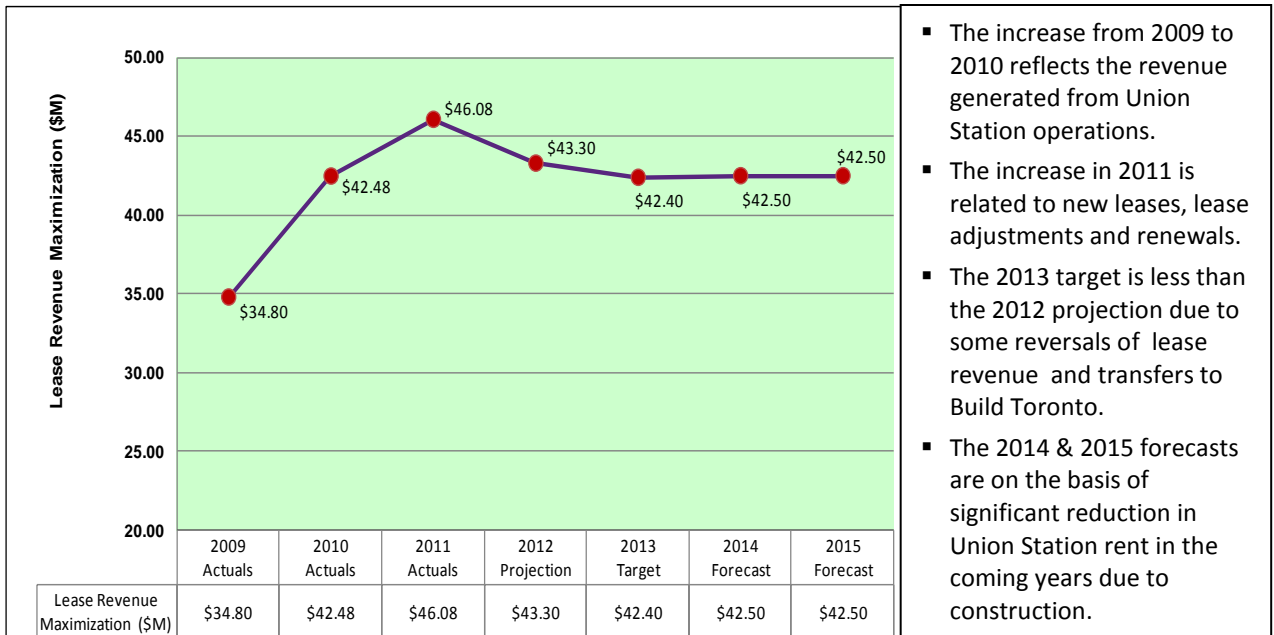
- Facilities Management and Real Estate's goal is to reduce electricity demand in Toronto by 133 megawatts by: addressing energy inefficient buildings and infrastructure; addressing the need for renewable and clean energy sources to realize a reduction in megawatt consumption and encouraging stakeholders to reduce energy consumption through planned efficiencies and key communication strategies.



- This graph represents cumulative amounts. Since 2009, there has been reduction in electricity demand every year.

Effectiveness Measure – Lease Revenue Maximization

- This measure demonstrates the revenue generation maximized for the lease of City properties.



- The increase from 2009 to 2010 reflects the revenue generated from Union Station operations.
- The increase in 2011 is related to new leases, lease adjustments and renewals.
- The 2013 target is less than the 2012 projection due to some reversals of lease revenue and transfers to Build Toronto.
- The 2014 & 2015 forecasts are on the basis of significant reduction in Union Station rent in the coming years due to construction.

2012 Budget Variance Analysis

2012 Budget Variance Review (In \$000s)

(In \$000s)	2010 Actuals	2011 Actuals	2012 Approved Budget	2012 Projected Actuals*	2012 Approved Budget vs Projected Actual Variance	
	\$	\$	\$	\$	\$	%
Gross Expenditures	165,147.0	178,780.9	177,532.6	171,498.7	(6,033.9)	(3.4)
Revenues	113,365.2	126,667.9	118,397.9	112,713.1	(5,684.8)	(4.8)
Net Expenditures	51,781.8	52,113.0	59,134.6	58,785.6	(349.1)	(0.6)
Approved Positions	907.9	920.8	800.6	801.6	1.0	0.1

2012 Experience

- Facilities Management and Real Estate is currently projecting year-end under-spending of \$0.349 million for 2012 based on its third quarter variance results.
- This projected under expenditure is primarily attributed to lower than anticipated utility costs and higher vacancies than expected which have been offset by lower rental revenue and less than planned project management fees from capital projects.

Impact of 2012 Operating Variance on the 2013 Recommended Budget

- Based on the projected actual year-end expenditures for 2012 and prior year experiences, the utilities budget has been reduced by \$0.701 million in 2013.

Appendix 2

2013 Recommended Operating Budget by Expenditure Category and Key Cost Driver

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

Category of Expense	2010	2011	2012	2012	2013	2013 Change from		2014	2015
	Actual	Actual	Budget	Projected Actual	Recommended Budget	2012 Approved Budget		Outlook	Outlook
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	69,672.3	71,311.5	75,245.6	72,115.2	75,193.6	(52.0)	(0.1%)	76,316.0	77,381.3
Materials and Supplies	27,628.9	26,493.7	30,889.1	27,857.9	29,473.5	(1,415.5)	(4.6%)	29,473.5	29,473.5
Equipment	596.4	425.5	1,193.2	435.0	549.2	(644.0)	(54.0%)	549.2	549.2
Services & Rents	55,970.0	59,090.1	63,156.6	64,053.7	64,362.4	1,205.7	1.9%	64,362.4	64,362.4
Contributions to Capital	6,707.9	15,566.1	3,278.3	3,278.3	5,278.3	2,000.0	61.0%	5,278.3	5,278.3
Contributions to Reserve/Res Funds	1,789.1	2,058.1	1,804.6	1,804.6	1,802.5	(2.0)	(0.1%)	1,802.5	1,802.5
Other Expenditures	516.1	2,018.0	10.6	10.6	10.6	0.0	0.0%	10.6	10.6
Interdivisional Charges	2,266.3	1,817.9	1,954.5	1,943.4	1,865.4	(89.1)	(4.6%)	1,865.4	1,865.4
TOTAL GROSS EXPENDITURES	165,147.0	178,780.9	177,532.6	171,498.7	178,535.6	1,003.1	0.6%	179,658.0	180,723.3
Interdivisional Recoveries	50,248.2	50,443.7	48,429.1	47,882.1	49,864.0	1,434.9	3.0%	49,864.0	49,864.0
Provincial Subsidies									
Federal Subsidies	408.2		220.5	628.0	220.5		0.0%	220.5	220.5
Other Subsidies									
User Fees & Donations	38,259.8	40,574.0	39,635.9	41,565.0	39,968.4	332.5	0.8%	40,025.1	40,025.1
Transfers from Capital Fund	8,842.4	8,927.1	8,269.9	7,242.8	8,778.1	508.2	6.1%	8,820.0	8,820.0
Contribution from Reserve Funds	9,506.1	18,103.8	9,890.2	7,990.2	9,943.7	53.6	0.5%	9,943.7	9,943.7
Contribution from Reserve									
Sundry Revenues	6,100.5	8,619.3	11,952.4	7,405.0	10,336.5	(1,615.8)	(13.5%)	10,336.5	10,336.5
TOTAL REVENUE	113,365.2	126,667.9	118,397.9	112,713.1	119,111.2	713.3	0.6%	119,209.9	119,209.9
TOTAL NET EXPENDITURES	51,781.8	52,113.0	59,134.6	58,785.6	59,424.4	289.8	0.5%	60,448.1	61,513.4
APPROVED POSITIONS	907.9	920.8	800.6	801.6	825.6	25.0	3.1%	0.0	0.0

2013 Key Cost Drivers

Salaries and Benefits the largest expenditure category and account for 42% of the total expenditures, followed by services and rents at 36% and materials and supplies at 17%.

- The 2013 budget for salaries and benefits of \$75.194 million is \$0.052 million or 0.1% lower than the 2012 Operating Budget.
 - The minimal decrease in salaries and benefits from 2012 accounts for economic increases (\$0.793 million), the reversal of a 2012 approved service level reduction for outsourcing, (\$0.737 million) and recommended new and enhanced services (\$0.604 million) offset by the annualized savings of the 2012 outsourcing of cleaning (\$1.776 million) and the deletion of two temporary capital project delivery positions (\$0.245 million).

- The 2013 recommended budget for materials and supplies of \$29.473 million is \$1.416 million or 4.6% lower than the 2012 Operating Budget due to reallocations within in the budget to services and rents (\$1.000 million), and a reduction in utilities (\$0.707 million) offset by inflationary increases (\$1.118 million).
- The 2013 budget for services and rents of \$64.362 million is \$1.206 million or 1.9% higher than the 2012 Approved Operating Budget.
 - This increase is mainly attributable to annualized contract costs arising from the 2012 outsourcing of cleaning services (\$1.422 million).
 - It also reflects inflationary increases for expenses (\$1.040 million) and a reallocation in the budget from materials and supplies and equipment expenses (\$1.700 million) to better align with actual expenditures.
 - The increase is offset by reducing services and rents for Interdepartmental charges (\$0.576 million) and the reversal of a 2012 service level reduction, for outsourcing that was not implemented (\$0.637 million).
- The Contribution to Capital increased by \$2.000 million or 61% to reflect the repayment of the Energy Demand Response Program. The Demand Response Program is an energy efficiency initiative that forms part of the Sustainable Energy Capital Program. The repayment of the recoverable debt flows through the Facilities Management and Real Estate Operating Budget.
- Approximately \$49.864 million or 28% of the program's gross operating budget is funded through recoveries from Facilities Management and Real Estates clients.
 - The increase in 2013 reflects the recovery of inflationary expense increases offset by any service level changes and/or savings requested by clients.
- Sundry Revenues have increased by \$1.615 million or 13.5% over the 2012 Approved Operating Budget primarily from the revenue received from the Energy Demand Response Program, to offset repayment of debt, for a net \$0 impact on the 2013 Facilities Management and Real Estate's Operating Budget.
- Approval of the 2013 Recommended Operating Budget for Facilities Management and Real Estate reflects the addition of 22 permanent and 5 temporary positions and the deletion of 2 temporary positions. The total staff complement will increase from 800.6 to 825.6.

The 2013 Recommended Base Budget provides funding for the following:

Prior Year Impacts

- Annualized savings arising from the 2012 approved custodial alternate service delivery resulting in a decrease of \$0.304 million gross and \$0.304 million revenue, for a net \$0 impact.

Previously Approved Capital

- One Senior Business and System Analyst is required as a result of completion of capital projects at a cost of \$0.040 million in 2013 and an annualized impact of \$0.087 million in

2014. This resource will manage the Preventative Maintenance and Mobile Work Order System.

Economic Factors

- Increases of \$1.163 million have been included for non-utility inflationary factors. Utility costs have increase by \$0.302 million.
- Progression pay, step increases and COLA total \$0.793 million.

Other Base Changes

- As noted above, the Demand Response Program funding will flow through the Facilities Management and Real Estate Operating Budget. Gross expenditures of \$2.000 million and recoveries of \$2.000 million are included.

Revenue Changes

- Client charge backs for increases for progression pay, step increases and COLA total \$1.153 million.

Appendix 3

Summary of 2013 Recommended Service Changes



2013 Operating Budget - Recommended Service Change Summary of Administrative Review

TYPE	PRIORITY	INTERNAL FOCUSED SERVICES Facilities Management and Real Estate	Recommended Adjustments				2014 Net Incremental Outlook (\$000s)	2015 Net Incremental Outlook (\$000s)
			Change in Gross Expenditure (\$000s)	Change in Revenue (\$000s)	Net Change (\$000s)	Change in Approved Positions		
		2013 Recommended Base Budget Before Service Change:	178,477.1	117,134.9	61,342.1	818.6	85.0	0.0
Z1	1	Utilities Savings	(700.7)	0.0	(700.7)	0.0	0.0	0.0
		<small>(FA-Z002)</small> Service / Activity: Facilities / Energy Management Description: Based on a detailed review of actual spending on utilities over the past three years, budget savings of \$0.701 million net will be reduced in 2013. Service Level Change: No change in service level. ADMIN: Recommended	(700.7)	0.0	(700.7)	0.0	0.0	0.0
Z2	2	Increased Leasing Revenue	0.0	463.6	(463.6)	0.0	0.0	0.0
		<small>(FA-Z001)</small> Service / Activity: Real Estate / Manage Leases Description: Real Estate staff are constantly researching and establishing new locations and opportunities to generate new or increased lease revenue, which includes focussing on under-used City-owned corporate properties, partnering with other divisions to identify opportunities for properties under their operational management and investing resources toward maximizing returns on existing high value. It is expected that Real Estate will generate \$0.464 million in 2013 in new revenue and increased revenue for some leases due for renewal. Service Level Change: No change in service level. ADMIN:	0.0	463.6	(463.6)	0.0	0.0	0.0
Z2	3	Increase in Rent at Old City Hall	0.0	250.0	(250.0)	0.0	0.0	0.0
		<small>(FA-Z003)</small> Service / Activity: Real Estate / Manage Leases Description: Facilities Management is upgrading facilities at Old City Hall. It is recommended that the rent charged to the tenant (Province of Ontario) be increased to reflect market value. Service Level Change: No change. ADMIN:	0.0	250.0	(250.0)	0.0	0.0	0.0

Category Legend - Type

- Z1 - Efficiency Change
- Z2 - Revenue Change
- Z3 - Service Change



2013 Operating Budget - Recommended Service Change Summary of Administrative Review

TYPE	PRIORITY	INTERNAL FOCUSED SERVICES Facilities Management and Real Estate	Recommended Adjustments				2014 Net Incremental Outlook (\$000s)	2015 Net Incremental Outlook (\$000s)
			Change in Gross Expenditure (\$000s)	Change in Revenue (\$000s)	Net Change (\$000s)	Change in Approved Positions		
Z2	4	Solid Waste Management Occupancy Charges	0.0	503.6	(503.6)	0.0	0.0	0.0
<small>(FA-Z005)</small>		Service / Activity: Real Estate / Manage Leases						
		Description:	Historically, Facilities Management and Real Estate charged rate-based programs (such as Toronto Water) for use of civic centres. In order to be consistent with this policy and ensure full cost recovery for rate based programs, Facilities Management will charge an annual occupancy cost to Solid Waste Management of \$0.504 million for the use of City Hall, Metro Hall and Scarborough Civic Centre.					
		Service Level Change:	No change in service level.					
		ADMIN:	0.0	503.6	(503.6)	0.0	0.0	0.0
Total Recommended Service Level Reductions:			(700.7)	1,217.2	(1,917.9)	0.0	0.0	0.0
Total Recommended Base Budget:			177,776.4	118,352.1	59,424.2	818.6	85.0	0.0

Category Legend - Type

- Z1 - Efficiency Change
- Z2 - Revenue Change
- Z3 - Service Change

Appendix 4

**Summary of 2013 Recommended New
/Enhanced Service Priority Actions**



2013 Operating Budget - Recommended New and Enhanced Services Summary of Administrative Review

TYPE	PRIORITY	INTERNAL FOCUSED SERVICES Facilities Management and Real Estate	Recommended Adjustments				2014 Net Incremental Outlook (\$000s)	2015 Net Incremental Outlook (\$000s)
			Change in Gross Expenditure (\$000s)	Change in Revenue (\$000s)	Net Change (\$000s)	Change in Approved Positions		
N2	1	Design, Construction and Asset Preservation (DCAP) Unit - Convert existing Temporary Senior Project Managers to Permanent Status Service / Activity: Facilities / N/A Description: It is recommended that five Senior Project Manager positions be converted from temporary to permanent status to manage DCAP SOGR projects within the approved capital program. Staff who are sufficiently qualified and experienced cannot be attracted to temporary positions, hence these temporary positions remain unfilled with the consequence that the planned project work is not being performed. There is no financial impact as the budget for these positions already exist and are funded from the Facilities Management's Capital Budget. Service Level Change: Current service level is inadequate and will now be met. ADMIN:	0.0	0.0	0.0	0.0	0.0	0.0
N3	2	Old City Hall - HVAC Maintenance Service / Activity: MULTIPLE / Facilities Maintenance Description: Facilities management is upgrading the HVAC system at Old City Hall. Deep Lake Water Cooling will provide the air conditioning in the building. In order to operate and maintain this new system 3 permanent Building Operator 1 positions are required, effective April 1, 2013. The 2013 impact will be \$0.170 million gross, \$0 net with a 2014 incremental impact of \$0.041 million gross, \$0 net. In addition, \$0.250 million in materials and supplies is required to maintain this equipment and protect the capital investment. Additional costs will be fully recovered from the tenant for a net \$0 impact. Service Level Change: N/A ADMIN:	420.0	420.0	0.0	3.0	0.0	0.0

Category Legend - Type

- N1 - Enhanced Services - Operating Impact of 2013 Capital
- N2 - Enhanced Services - Service Expansion
- N3 - New Service - Operating Impact of 2013 Capital
- N4 - New Services
- N5 - New Revenues
- N6 - New User Fee Revenue



2013 Operating Budget - Recommended New and Enhanced Services Summary of Administrative Review

TYPE	PRIORITY	INTERNAL FOCUSED SERVICES Facilities Management and Real Estate	Recommended Adjustments				2014 Net Incremental Outlook (\$000s)	2015 Net Incremental Outlook (\$000s)
			Change in Gross Expenditure (\$000s)	Change in Revenue (\$000s)	Net Change (\$000s)	Change in Approved Positions		
N2	3	Add 2 Union Station Project Managers and one Senior Analyst	339.2	339.2	0.0	3.0	0.0	0.0
(FA-N008)		<p>Service / Activity: Facilities / Facilities Maintenance</p> <p>Description: The Auditor General has released the report "A Mid-Term Review of the Union Station Revitalization: Managing Risks in a Highly Complex Multi-Year Multi-Stage, Multi-Million Dollar Project" which advises that the reporting, re-inspections and overall management of the Union Station Revitalization project is lacking. In order to address this shortcoming, it is recommended that two temporary Project Manager positions be added to the Union Station implementation team for reporting, re-inspections and overall management.</p> <p>In addition, a temporary Senior Budget Analyst is also required to support the Union Station Revitalization project as a dedicated resource until the project is complete. The position will assist with the day-to-day financial and administrative needs on the project, including new reporting requirements. Currently there is no dedicated financial or administrative support for the Revitalization project and this resource will provide the following services:</p> <ul style="list-style-type: none"> - Ensure compliance with funding agreements, as well as preparing recoveries from funding partners - Add depth to the internal controls and reporting on the project - Meet corporate requests for greater transparency in terms of financial reporting - Provide support and guidance to the Union Station Revitalization team on budgetary, financial and procurement issues. <p>The three temporary positions will be effective February 1, 2013 at a cost of \$0.339 million gross and \$0 net, funded from Union Station Capital project until completion of the project, anticipated to be 2016. The 2014 full year impact will result in an additional \$0.042 million gross, \$0 net.</p> <p>Service Level Change: Current service level has been considered inadequate by the Auditor General. These new resources will increase the current service level.</p> <p>ADMIN:</p>						
			339.2	339.2	0.0	3.0	0.0	0.0

Category Legend - Type

- N1 - Enhanced Services - Operating Impact of 2013 Capital
- N2 - Enhanced Services - Service Expansion
- N3 - New Service - Operating Impact of 2013 Capital
- N4 - New Services
- N5 - New Revenues
- N6 - New User Fee Revenue



2013 Operating Budget - Recommended New and Enhanced Services Summary of Administrative Review

TYPE	PRIORITY	INTERNAL FOCUSED SERVICES Facilities Management and Real Estate	Recommended Adjustments				2014 Net Incremental Outlook (\$000s)	2015 Net Incremental Outlook (\$000s)
			Change in Gross Expenditure (\$000s)	Change in Revenue (\$000s)	Net Change (\$000s)	Change in Approved Positions		
N4	4	Energy Management-BAS Coordinator	0.0	0.0	0.0	1.0	0.0	0.0
(FA-N001)		Service / Activity: Facilities / Energy Management						
		Description:						
		The Auditor General's Report "Review of the Energy Retrofit Program at Community Centres and Arenas" identified that many of the arenas and community centres are not using their new green technology properly. In order to provide training and ensure proper use, one permanent Building Automation Systems (BAS) Coordinator in the Energy and Waste Management Office, effective April 1, 2013, at a cost of \$0.095 million is required. Utility savings of an equal value to be generated will fund the position.						
		Service Level Change:						
		Increased service will be provided to arenas and community centres.						
		ADMIN:	0.0	0.0	0.0	1.0	0.0	0.0
Total Recommended New/Enhanced:			759.2	759.2	0.0	7.0	0.0	0.0

Category Legend - Type

- N1 - Enhanced Services - Operating Impact of 2013 Capital
- N2 - Enhanced Services - Service Expansion
- N3 - New Service - Operating Impact of 2013 Capital
- N4 - New Services
- N5 - New Revenues
- N6 - New User Fee Revenue

Appendix 5

Inflows / Outflows to / from Reserves & Reserve Funds (In \$000s)

Program Specific Reserve/Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Description	Projected Balance as of December 31, 2012	2014	2015
			\$	\$	\$
Union Station Reserve Fund	XR2501	Projected Beginning Balance	11,929.4	9,176.5	6,423.6
		Proposed			
		Withdrawals (-)	(2,752.9)	(2,752.9)	(2,752.9)
		Contributions (+)			
Balance at Year-End			9,176.5	6,423.6	3,670.7

Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of December 31, 2012 *	Proposed Withdrawals (-) / Contributions (+)		
			2013	2014	2015
			\$	\$	\$
Vehicle and Equipment Reserve	XQ1502	1,275.9	309.7	309.7	309.7
Insurance Reserve Fund	XR1010	21,130.4	961.8	961.8	961.8
Energy Conservation Reserve Fund	XR1715	37,488.2	(943.4)	(875.7)	(875.7)
Sustainable Energy Fund	XR1715		(182.3)		
Land Acquisition Reserve Fund	XR1012	116,127.0	(595.0)	(328.4)	(328.4)
Conservation Management Reserve Fund	XR3029	2,895.3	(5,470.1)	(5,470.1)	(5,470.1)
Total Reserve / Reserve Fund Draws / Contributions			(5,919.3)	(5,402.7)	(5,402.7)

* Based on 3rd Quarter Variance Report

Appendix 6 (ii, iii)
2013 Recommended User Fee Changes
Inflation & Other Adjustments

Ref #	User Fee Description	Fee Category	Fee Unit/Basis	2012 Fee (A)	Inflationary Adjusted Fee (B)	Other Adjustments (C)	2013 Recommended Fee (D)	2013 Incremental Revenue
	FACILITIES MANAGEMENT & REAL ESTATE							\$5,000
5	Rental rate for Memorial Hall Gold Room A and B (meeting rate 1)	Market Based	Per hour	\$64.77	\$65.82		\$65.82	
40	Metro Hall Farmers Market - Weekly Rental Rate for booth May 27 - Oct 14 (except June 24 and July 1)	Market Based	Weekly	\$170.00	\$173.40	\$5.10	\$178.50	
41	Metro Hall Farmers Market - Weekly Rental Rate for booth June 15 to Sept. 28	Market Based	Weekly	\$125.00	\$127.50	\$3.75	\$131.25	
43	Scarborough Civic Centre Farmers Market - Weekly rate for booth May 27 to Oct 14 (except June 24 and July 1)	Market Based	Weekly	\$50.00	\$51.00	\$1.50	\$52.50	
44	Co-ordination Services for film shoots/events	City Policy	Per hour	\$56.00	\$57.12		\$57.12	
45	Security for Film Shoots/events	City Policy	Per hour	\$47.58	\$48.53		\$48.53	
46	Building Operator costs for Film Shoots/Events	City Policy	Per hour	\$44.80	\$45.70		\$45.70	
47	Custodial Services for film shoots/events	City Policy	Per hour	\$36.96	\$37.70		\$37.70	
48	Foreperson for film shoots/events.	City Policy	Per hour	\$53.20	\$54.26		\$54.26	
49	Electrician for Film Shoots/events	City Policy	Per hour	\$81.60	\$83.23		\$83.23	
50	Audio Visual Services for film shoots/events	City Policy	Per hour	\$46.80	\$47.74		\$47.74	
	FACILITIES MANAGEMENT & REAL ESTATE-TOTAL							\$5,000