



City Budget
2013

Technical Services
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 pay's the day-to-day operating costs for the City.

2013 Operating Budget

2013 OPERATING BUDGET ANALYST NOTES 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 Operating Budget v. 2012 Appvd. Budget		FY Incremental Outlook	
	Approved Budget	Projected Actual	2013 Rec. Base	2013 Rec. New/Enhanced	2013 Rec. Budget	\$	%	2014	2015
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	70,502.5	63,152.5	70,748.0	0.0	70,748.0	245.5	0.3%	1,253.7	1,318.4
REVENUE	62,253.1	54,938.0	63,360.0	0.0	63,360.0	1,106.9	1.8%	956.9	1,006.5
NET EXP.	8,249.4	8,214.5	7,388.0	0.0	7,388.0	(861.4)	(10.4%)	296.8	311.9
Approved Positions	626.1	521.1	570.1	0.0	570.1	(56.0)	(8.9%)	570.1	570.1

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

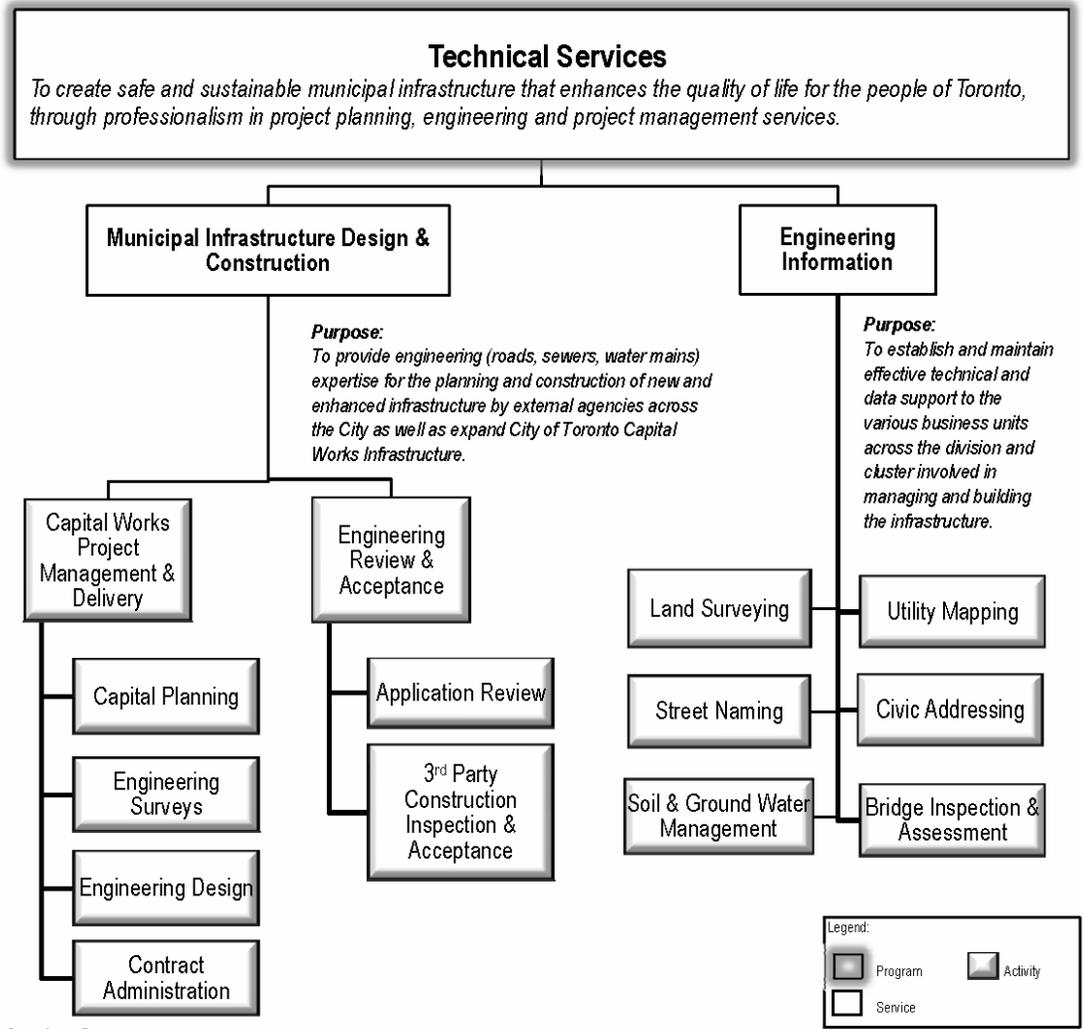
1. City Council approve the 2013 Recommended Operating Budget for Technical Services of \$70.748 million gross and \$7.388 million net, comprised of the following services:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Capital Works Delivery - Group A	17,809.1	176.0
Capital Works Delivery - Group B	14,409.4	4,442.0
Engineering Review	10,859.9	1,369.4
Engineering Services	26,032.4	848.4
Program Administration	1,637.2	552.2
Total Program Budget	70,748.0	7,388.0

2. Technical Services services and 2013 proposed service levels, as outlined on page 4, and associated staff complement of 570.1 positions be approved.
3. City Council approve the 2013 recommended market rate user fee change(s) for Technical services identified in Appendix 6 (iii) – Column C 'Other Adjustments' for inclusion in the Municipal Code Chapter 441, User Fees and Charges. The fee is for design and construction work on third party projects and the increase represents a more accurate reflection of the costs related to engineering services performed by Technical Services.
4. The Executive Director of Technical Services report back in June 2013 with an implementation policy to apply this fee to all third parties ensuring costs are equitably and consistently recovered.

PART II: 2013 SERVICE OVERVIEW AND PLAN

Program Map and Service Profiles



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)

2013 Recommended Service Levels

The 2013 proposed service levels for Technical Services 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	
Municipal Infrastructure Design and Construction	Capital Works Project Management & Delivery	Capital Planning	Annual Linear Pre-Design Reports		being phased in	90% compliance of planned pre-designed reports (PDR)	
Municipal Infrastructure Design & Construction	Engineering Review & Acceptance	Applications Review	Development Applications	Complex Submission	75% compliance rate	75% compliance	
				Consent Application	Unknown until Service Standard is developed	75% compliance within 15 working days	
				Quick Submission	75% compliance rate	75% compliance	
				Routine Submission	75% compliance rate	75% compliance	
			MOE Transfer of Review	115 applications reviewed within 10 days	100% compliance within 10 working days		
			Third Party application		90% compliance within 20 working days		
			Utility Application Certificate	Full Stream	90% of 3500 applications reviewed within 20 days	90% compliance within 15 working days	
		3rd Party Construction Inspection & Acceptance	Acceptance of Municipal Infrastructure		TBD	TBD	
	Capital Works Project Management & Delivery	Engineering Surveys				TBD	90% as scheduled
		Engineering Design	Vertical Infrastructure Procurement			TBD	90% compliance of plan.
			Linear Infrastructure Procurement			TBD	90% compliance of plan.
		Contract Administration	Contracts			120 contracts	90% of planned capital expenditure
	Engineering Information	Soil & Ground Water Management		Provide Findings	Provide responses to environmental inquiries	TBD	90% compliance within 20 working days
Land Surveying			Boundary Surveys		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	
Civic Addressing					acknowledged receipt within 48 hrs and completed within estimate date, 90% 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	
Bridge Inspection & Assessment						100% inspection compliance within regulatory timelines	

2013 Service Deliverables

The 2013 Recommended Operating Budget of \$70.748 million gross provides funding to:

- Improve Service Delivery - begin implementation of our new organizational structure - reduce cost of engineering and increase capital delivery throughout by increased use of external service providers.
- Implement communication protocols to improve interdivisional and utility coordination to streamline capital delivery - develop a 360 degree review.
- Improve Capital Delivery to 90%.
- Improve review of development applications within STAR timelines to 75%.
- 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 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.
- Implement claims management process to reduce costs and streamline capital delivery.
- Implement further improvements to Health and Safety program including enhancing applications of Professional Development Qualifications (PDQ), improved record keeping and document management, and training/development of Health and Safety knowledge and awareness.
- Enhance divisional communications and engagement of staff - develop/improve competencies for Management/Professional staff.

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.	70,502.5	70,748.0	245.5	0.3%	1,253.7	1,318.4
REVENUE	62,253.1	63,360.0	1,106.9	1.8%	956.9	1,006.5
NET EXP.	8,249.4	7,388.0	(861.4)	(10.4%)	296.8	311.9
Approved Positions	626.1	570.1	(56.0)	(8.9%)	570.1	570.1

2013 Recommended Base Budget

The 2013 Recommended Base Budget of \$70.748 million gross and \$7.388 million net is \$0.861 million or 10.4% below the 2012 Approved Budget of \$8.249 million net.

- The 2013 Recommended Base Budget, prior to recommended service change savings of \$0.473 million, includes a net decrease of \$0.389 million or 4.7% below the 2012 Approved Budget. This net decrease prior to additional service change savings results from the following:
 - Incremental base budget pressures of \$0.186 million net, which is offset by \$0.509 million in additional revenues resulting from the annualized impact of Technical Service's direct cost recovery for the Development Application Review process and a \$0.066 million increase in capital recoveries resulting from the transfer of the ESRI License expenditure budget in 2012.
- The net decrease of \$0.389 million in the 2013 Recommended Base Budget is further decreased by recommended service change savings and other revenue adjustments of \$0.473 million reflecting an additional decrease of 5.7% below the 2012 Approved Budget.
- The result of the incremental changes noted above is a 2013 Recommended Base Budget for Technical Services that is \$0.861 million net or 10.4% below the budget target of a 0% increase from the 2012 Approved Budget.
- Approval of the 2013 Recommended Base Budget will result in a reduction of 56.0 vacant positions to the Program's approved staff complement resulting in a change from 626.1 positions to 570.1 positions.
 - The re-structuring strategy will improve service delivery by reducing the cost of engineering and increasing capital delivery by increased use of external service providers through savings achieved from the reduction of vacant positions.

**2013 Recommended Staff Complement
Base Budget Summary**

Changes	Staff Complement
2012 Approved Complement	627.1
- 2012 In-year Adjustments	(1.0)
2012 Approved Staff Complement	626.1
2013 Recommended Staff Complement Changes	
- 2013 Base Budget Adjustments	(56.0)
Total 2013 Recommended Complement	570.1

- In the summer of 2012, the City Manager and Deputy City Manager (Cluster B) approved a re-structuring strategy, the initial phase of which is to be implemented in 2013 and will result in the reduction of 56 vacant positions. This change is discussed in greater detail in the issues section of these notes on page 11.
- In 2012, one permanent position was transferred to Technical Services from Policy, Planning, Finance & Administration and two permanent vacant positions were eliminated, reducing the 2012 approved staff complement to 626.1.

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 Expenditure	Position Change	Net Expenditure	Position Change
Base Changes:								
Base Expenditure Changes								
Adjustment to Salaries and Benefits Based on Actual Experience		(887.5)	(166.4)	(2.0%)	(11.5)		(12.1)	
Adjustment to Other Salary Related Expenses		(42.0)	(38.0)	(0.5%)				
Adjustment to Salaries & Benefits and Services & Rents to Implement Re-organization Strategy	(56.0)							
Base Expenditure Changes	(56.0)	(929.5)	(204.4)	(2.5%)	(11.5)		(12.1)	
Base Revenue Changes								
Increase in Engineering & Inspection Fee Revenue Based on Increased Development Applications		200.0	(123.0)	(1.5%)				
Recognize Survey & Utility Mapping Fees not previously budgeted			(135.9)	(1.6%)				
Adjustment to Peer Review Administration Fee & Lawyers' Fee			(9.4)	(0.1%)				
Base Revenue Changes		200.0	(268.3)	(3.3%)				
Sub-Total Base Budget Changes	(56.0)	(729.5)	(472.7)	(5.7%)	(11.5)		(12.1)	
Total Service Changes	(56.0)	(729.5)	(472.7)	(5.7%)	(11.5)		(12.1)	

2013 Recommended Service Changes

The 2013 recommended service changes consist of base expenditure and revenue changes of \$0.730 million gross and \$0.473 million net, resulting in a 5.7% decrease from the 2012 Approved Budget. When combined with other base budget changes of \$0.389 million or 4.7%, the 2013 Recommended Base Budget is \$0.861 million or 10.4% below the 2012 Approved Budget of \$8.249 million net.

Base Expenditure Changes: (\$0.930 million gross, savings of \$0.204 million net)

Adjustment to Salaries and Benefits Based on Actual Experience

- The salaries and benefits budget was adjusted based on a review of actual experience as compared to ongoing Program requirements resulting in a savings of \$0.166 million net.
- In addition, the casual regular salary budget was eliminated as actual experience showed that this budget was not utilized resulting in savings of \$0.215 million gross and \$0 net.

Adjustment to Other Salary Related Expenses Based on Actual Experience

- Other salary related budgets were adjusted based on a review of actual experience for savings of \$0.038 million net.

Re-structuring Strategy

- A decrease in salaries and benefits was offset by an equal increase in services and rents to reflect the implementation of the initial phase of the Program's re-structuring strategy. The City Manager and Deputy City Manager (Cluster B) have approved a re-organization strategy to improve service delivery by reducing the cost of engineering and increasing capital delivery by increased use of external service providers through savings achieved from the reduction of vacant positions. The initial phase of this re-structuring strategy will be implemented in 2013 and will result in the reduction of 56 vacant positions. This change is discussed in greater detail in the issues section of these notes on page 11.

Base Revenue Changes: (\$0.200 million gross, savings of \$0.268 million net)*Increase in Engineering and Inspection Fee Revenue*

- An increase in engineering review and inspection revenue of \$0.323 million gross and \$0.123 million net is projected based on the work that is projected to be completed in 2013.
- Technical Services charges and collects an engineering review and inspection fee (5% of total capital cost of municipal infrastructure required as a condition of development approval). Typically this fee is collected at the time of the development application approval and revenue is recognized over a subsequent 2-3 years period following, when the work is actually completed. The projected increase in engineering review and inspection work 2013 (based on development applications already received in 2012) will result in additional revenue of \$0.323 million.
- This increase in revenue will be partially offset by a \$0.200 million expenditure budget increase to retain professional engineering services to assist with the increased volume of development applications projected for 2013.

Recognize Survey & Utility Mapping Fees

- The 2013 Recommended Budget includes additional revenues of \$0.136 million for Survey & Utility Mapping sundry fees (i.e. Digital Map Owners Group (DMOG); Municipal Numbering; sale of Field Notes) based on actual experience as these revenues had been realized but have not been budgeted for in previous years.

Increase in Peer Review Administration Fee and Lawyers' Fee

- A revenue increase of \$0.009 million due to higher volumes from a 7% peer review fee charged to developers to cover the City's cost for administering an environmental peer review process conducted in cases related to conveyance of land (Soil and Ground Water Quality).

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 Impacts											
Union COLA Increase	633.8	484.8	149.0	2.0%		815.9	624.2	191.7	2.5%		4.6%
Non-union Progression Pay	359.8	275.2	84.6	1.1%		318.7	243.8	74.9	1.0%		2.2%
Union Step Increases	317.8	243.1	74.7	1.0%		244.4	187.0	57.4	0.7%		1.8%
Maintain Gapping (4.4%)	(57.7)	(46.2)	(11.5)	(0.2%)		(60.6)	(48.5)	(12.1)	(0.2%)		(0.3%)
Sub-Total Known Impacts	1,253.7	956.9	296.8	4.0%		1,318.4	1,006.5	311.9	4.1%		8.2%
Total Incremental Impacts	1,253.7	956.9	296.8	4.0%		1,318.4	1,006.5	311.9	4.1%		8.2%

Approval of the 2013 Recommended Base Budget for Technical Services will result in a 2014 incremental cost increase of \$0.297 million net and a 2015 incremental cost increase of \$0.312 million net to maintain 2013 service levels.

Future year incremental costs are primarily attributable to the following:

Known Pressures

- The 2014 Outlook projects an incremental net expenditure increase of \$0.297 million net for Cost of Living Allowance (COLA) (\$0.149 million), progression pay (\$0.085 million), step increases (\$0.075 million) and an estimated decrease to maintain a 4.4% gapping rate (\$0.012 million).
- The 2015 Outlook anticipates an incremental net expenditure increase of \$0.312 million net for COLA (\$0.192 million), progression pay (\$0.075 million), step increases (\$0.057 million) and an estimated decrease to maintain a 4.4% gapping rate (\$0.012 million).

PART V: ISSUES FOR DISCUSSION

2013 and Future Year Issues**2013 Issues***Increase in Design and Construction (Linear Infrastructure) Project Administration Fees (Third Party Contracts)*

- In its report on the Technical Services Leaside Bridge Structure Rehabilitation Contract No 05FS-30S, the City Auditor General recommended that the Deputy City Manager and Chief Financial Officer consider the implementation of a policy for the recovery of administration fees relating to the management of contracts by the City on behalf of third parties, and that such a policy be included in the Technical Services Capital Works Projects Procurement and Administration Procedures Manual. The third parties include, but are not limited to TTC, City divisions other than Transportation Services and Toronto Water, other City Agencies, BIAs, utility companies, and provincial and federal government agencies.
- In determining the resulting net increase in revenues, previously experienced Administration Fee revenues related to TTC projects were reviewed; noting revenue shortfalls in 2010 of \$1.100 million and of \$1.800 million in 2011. Therefore, the Program has reduced the budget for this fee by \$1.019 million, essentially eliminating any net benefit resulting from the fee increase.
- Currently, this fee is only charged on TTC projects as Technical 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.
- It is recommended that the Executive Director of Technical Services report back in June 2013 with an implementation policy to apply this fee to all third parties ensuring costs are equitably and consistently recovered.
- It is recommended that City Council approve the 2013 recommended market rate user fee change(s) for Technical services identified in Appendix 6 (iii) – Column C 'Other Adjustments' for inclusion in the Municipal Code Chapter 441, User Fees and Charges. In response to the recommendations of the City's Auditor General, the fee of 13.5% of construction costs, currently charged for design and construction work on third party projects, will be increased to 18.3% for 2013. This increase represents a more accurate reflection of the costs related to engineering services performed by Technical Services on contracts on behalf of third parties.

Re-structuring Strategy

- Technical Services will begin 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 approved 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.

- Contracting professional engineering services will allow the Program to meet tight project delivery timelines through increasing or decreasing the use of external resources as demand dictates. Technical Services will maintain a robust in-house core capacity of engineering expertise consisting of survey, design and inspection staff. This represents 82% of the current in-house engineering resources.
- 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 Technical Services continues to experience difficulties in hiring skilled professional and technical staff due to the competitive market conditions in the Greater Toronto Area and are anticipating 105 vacancies by year-end. In order to meet capital delivery requirements, Technical Services already uses externally contracted professional services quite extensively and the re-structuring will increase the use of this strategy and make it permanent over the next number of years.
- It is recommended that Technical Services provide an update to the Deputy City Manager (Cluster B) and the Chief Financial Officer as part of the 2014 Operating Budget submission on both the status of implementing the initial phase of the re-structuring strategy and the future plan to ensure the implementation of the strategy over the coming years.

2013 Recommended User Fee Inflationary 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.

Future Year Issues

Capital Cost Recoveries

- Technical Services' gross operating budget is funded primarily through recoveries from its clients' capital projects. Over the past several years, Technical Services has been realigning its core services in order to ensure that costs are properly charged and directly linked to specific asset betterment projects. Technical Services will reassess its capital recovery model, once this realignment process is completed.
- The issue of eligible capital recoveries concerns several other Program areas and will therefore be considered corporately in the context of a revised City-wide policy regarding the capitalization of eligible costs, including salary and other indirect costs in accordance with Generally Accepted Accounting Principles, Public Sector Accounting Board requirements and Government Finance Officers Association best practices. No further increases in capital recoveries, other than those associated with the direct work on capital projects, are recommended for 2013. It is anticipated that this revised policy will provide a basis for addressing various aspects of capital program/project delivery and provide appropriate cost recovery models for 2014 and beyond.

Core Service Review and Efficiency Study Implementation

- At its meeting of September 26 and 27, 2011 City Council approved the report 'Core Service Review – Final Report to Executive Committee' from the City Manager. The City Manager

was directed to review efficiency related opportunities for various program areas to determine whether and in what manner implementation is appropriate through the 2012, 2013 and 2014 Operating Budgets.

- The following reviews were recommended for Technical Services:
 - Consider developing and implementing service level standards where they do not exist for Infrastructure Design and Construction.
 - Consider further use of third party vendors for job contracting as well as alternative delivery models such as program management through external consultants for Infrastructure Design and Construction.
 - Consider third party support for mapping or surveying.
 - Consider process improvements to achieve standard levels for land surveys and mapping.
 - Consider process improvements to achieve standard levels for engineering review and approval.
 - Consider developing or implementing service level standards for engineering policy standards and support.
- Over the past several years, Technical Services has been realigning its core services in order to provide greater focus on capital delivery and to allow for higher efficiencies. This includes the development of standards for various services and greater use of contracted services. Also, the 2012 Operating Budget approved the use of outside contractors to address an increased volume of Transit Expansion projects. The Program continues to address these issues as described in both the Service Deliverables for 2013 and the 2012 key accomplishments.

Appendix 1

2012 Performance

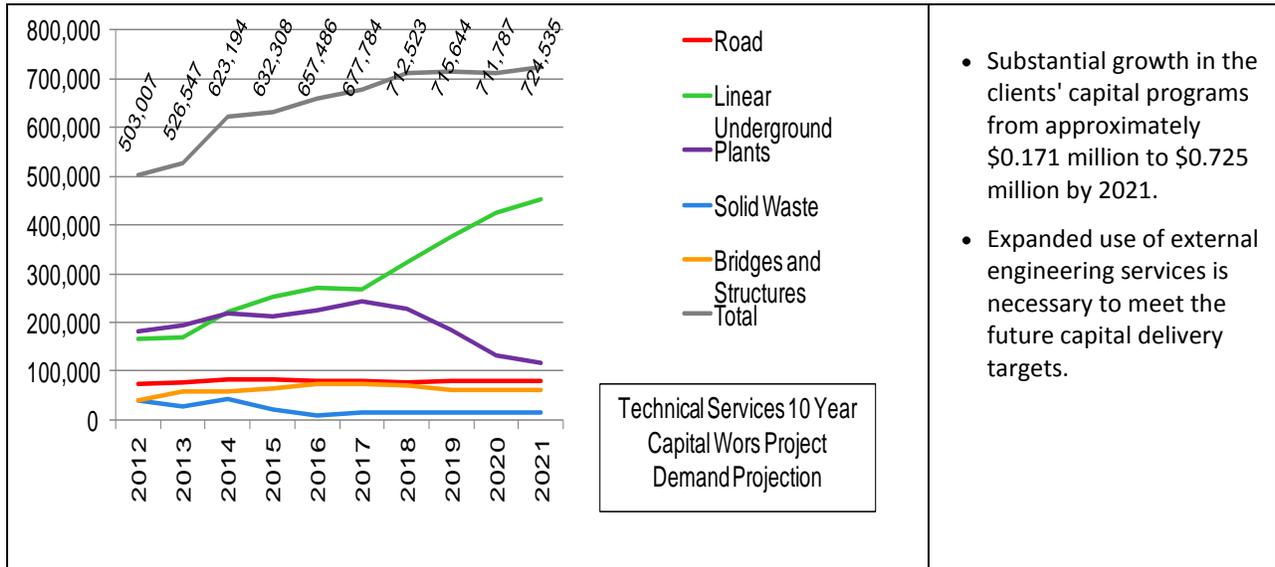
2012 Key Accomplishments

In 2012, Technical Services achieved the following:

- ✓ Completed the Utility Review
 - Cleared backlog of applications
 - Reduced turnaround times for client priority applications
 - Improved relationships with internal and external clients (i.e. utility companies).
- ✓ Improved relationships with Client Divisions through coordinated Capital Planning Improvements Review.
- ✓ Implemented Customer Service Standards.
- ✓ Reviewed 70% of development applications within STAR timelines.
- ✓ Delivered 70% of \$512 million Capital Works Projects (CWP).
- ✓ Engaged External Service Providers to enhance service delivery capacity for Development Engineering and Third Party Review.
- ✓ Developed costing model for capital delivery and cost of engineering.
- ✓ Implemented recovery model for third party review of Transit Expansion and Toronto York Spadina Subway Extension projects.
- ✓ Developed re-structuring plan and began preparing for implementation.
- ✓ Maintained Engineering/Project Manager complement (critical and vulnerable positions) vacancy rate at 8% or less.
- ✓ Implemented Joint Health and Safety Committee for outside workers approved by Ministry of Labour.
- ✓ Completed Phase 2 Health and Safety audit.
- ✓ Improved communication with staff through development of 'Technically Speaking' and 'Town Hall Meetings'.

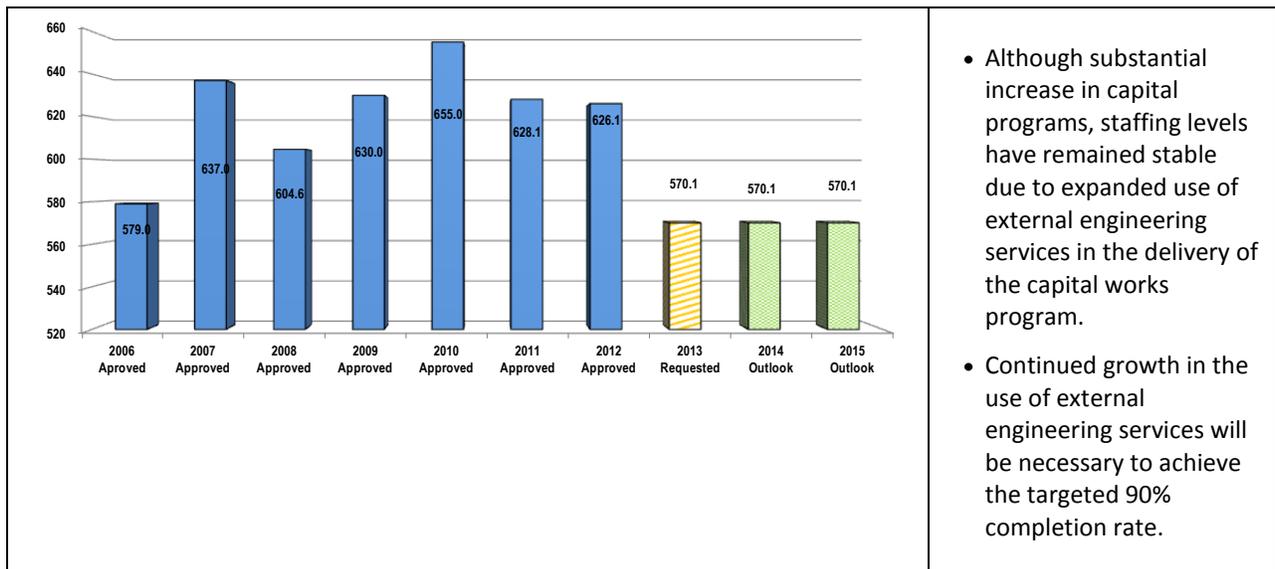
2012 Performance

Capital Works Project Demand Projection



- Substantial growth in the clients' capital programs from approximately \$0.171 million to \$0.725 million by 2021.
- Expanded use of external engineering services is necessary to meet the future capital delivery targets.

Staffing Trend - Approved Positions



- Although substantial increase in capital programs, staffing levels have remained stable due to expanded use of external engineering services in the delivery of the capital works program.
- Continued growth in the use of external engineering services will be necessary to achieve the targeted 90% completion rate.

2012 Budget Variance Analysis

2012 Budget Variance Review (In \$000s)

(In \$000s)	2010	2011	2012	2012	2012 Approved Budget vs Projected Actual Variance	
	Actuals	Actuals	Approved Budget	Projected Actuals*	\$	%
	\$	\$	\$	\$	\$	%
Gross Expenditures	58,386.6	59,471.0	70,502.5	63,152.5	(7,350.0)	(10.4)
Revenues	48,028.3	50,090.6	62,253.1	54,938.0	(7,315.1)	(11.8)
Net Expenditures	10,358.3	9,380.4	8,249.4	8,214.5	(34.9)	(0.4)
Approved Positions	530.1	529.1	626.1	521.1	(105.0)	(16.8)

* Based on the 3rd Quarter Operating Budget Variance Report.

2012 Experience

- Third quarter variance results for Technical Services indicates that the Program will be \$0.035 million net or 0.4% below the 2012 Approved Operating Budget of \$8.249 million net by year-end.
- The projected year-end variance is mainly due to savings from unfilled vacancies, resulting in lower recoveries from work on capital projects. The Program is currently projecting 105 vacant positions by December 31, 2012. These vacancies are largely reflective of the competitive labour market conditions in the Greater Toronto Area for skilled professional and technical staff.
- The 2012 Approved Budget and 2012 projected actual expenditures reflected above from the third quarter for Technical Services have been adjusted to recognize an in-year revenue change resulting from the reallocation of Development Application Review Project (DARP) revenue from City Planning. DARP is discussed in greater detail in the 2013 Key Cost Drivers section of these notes on page 18.

Impact of 2012 Operating Variance on the 2013 Recommended Budget

- This favourable variance is not anticipated to carry into 2013, as the Program will implement its re-structuring strategy that will reduce a significant number of vacant positions and increase its use of outside engineering services.

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	51,518.8	53,770.1	61,991.1	55,525.8	57,277.5	(4,713.6)	(7.6%)	58,531.2	59,849.6
Materials and Supplies	295.8	218.8	397.5	397.5	394.1	(3.4)	(0.9%)	394.1	394.1
Equipment	156.8	207.9	245.0	244.9	223.8	(21.2)	(8.7%)	223.8	223.8
Services & Rents	3,009.5	1,627.3	3,794.3	2,693.9	8,810.1	5,015.8	132.2%	8,810.1	8,810.1
Contributions to Capital									
Reserve/Res Funds	656.7	752.6	765.7	765.7	771.7	6.0	0.8%	771.7	771.7
Other Expenditures	(0.9)	19.6							
Interdivisional Charges	2,749.9	2,874.5	3,309.0	3,524.7	3,270.8	(38.2)	(1.2%)	3,270.8	3,270.8
TOTAL GROSS EXPENDITURES	58,386.6	59,470.8	70,502.6	63,152.5	70,748.0	245.4	0.3%	72,001.7	73,320.1
Interdivisional Recoveries	7.9	13.3							
Provincial Subsidies									
Federal Subsidies	65.4								
Other Subsidies									
User Fees & Donations	2,478.1	6,466.5	9,672.1	8,572.0	9,466.4	(205.7)	(2.1%)	9,466.4	9,466.4
Transfers from Capital Fund	42,304.2	42,563.2	49,971.1	43,541.1	50,100.7	129.6	0.3%	51,057.6	52,064.1
Contribution from Reserve Funds									
Contribution from Reserve									
Sundry Revenues	3,172.7	1,047.5	2,609.9	2,824.9	3,792.9	1,183.0	45.3%	3,792.9	3,792.9
TOTAL REVENUE	48,028.3	50,090.5	62,253.1	54,938.0	63,360.0	1,106.9	1.8%	64,316.9	65,323.4
TOTAL NET EXPENDITURES	10,358.3	9,380.3	8,249.5	8,214.5	7,388.0	(861.5)	(10.4%)	7,684.8	7,996.7
APPROVED POSITIONS	530.1	529.1	626.1	521.1	570.1	(56.0)		570.1	570.1

2013 Key Cost Drivers

Salaries and benefits are the largest expenditure category and account for 81.0% of the total expenditure budget, followed by services and rents at 12.5%, interdivisional charges (IDCs) at 4.6%, contributions to Reserve/Reserve Funds at 1.1%, materials and supplies at 0.6%, and equipment charges at 0.3%. Approximately 79.1% of the Program's revenue budget is funded through recoveries from its clients' capital projects. Another 14.9% of the revenue budget is funded from user fees and the remaining 6% is from other revenues.

- *Salaries and benefits* costs decreased by \$4.714 million or 7.6% primarily due to the reduction of 56 vacant positions as a result of the implementation of the initial phase of the re-structuring strategy and additional reductions to reflect actual experience. These decreases were somewhat offset by increases for progression pay, step and cost of living allowance (COLA). Technical Services continues to experience difficulties in hiring skilled professional and technical staff, resulting in lower actual spending in 2010, 2011 and projected again for 2012.
- *Materials and supplies* costs decreased by \$0.003 million or 0.9% due to adjustments to non-salary expenses related to existing staff changes and new staff, the change is based on actual projected spending in 2013 after re-alignment of budgets within various service areas and cost elements.
- *Equipment* costs decreased by \$0.021 million or 8.7% also due to adjustments to non-salary expenses related to existing staff changes and new staff, the change is based on actual projected spending in 2013 after re-alignment of budgets within various service areas and cost elements.
- *Services and rents* costs increased by \$5.016 million or 132.2% primarily due to additional expenditures for outside professional engineering services (\$4.678 million). In addition, a \$0.200 million increase is recommended for Development Engineering staff to retain professional engineering services to assist with the review of development applications during peaks in application volumes. This increase is offset by a corresponding increase in revenue generated from both the new Planning Application Fees and Engineering Review and Inspection Fees of \$0.323 million. Also, services and rents increased by \$0.138 million as part of the adjustments to non-salary expenses related to existing staff changes and new staff mentioned earlier.
- *Contributions to Reserve/Reserve Funds* increased by \$0.006 million or 0.8% due to an increase in contribution to the vehicle reserve based on actual experience and projected fleet maintenance requirements.
- *Interdivisional Charges* have decreased by \$0.038 million or 1.2% primarily due to the transfer of the ESRI License expenditure budget. As a result of the IT transformation, ESRI licenses will be maintained by IT rather than Technical Services (Survey & Utility Mapping). Therefore, the budget was transferred from Technical Services to various clients to be expensed through IDC's with IT.
- *User Fees* revenue has decreased by \$0.206 million or 2.1% due to a realignment of revenues to reflect the appropriate cost elements within the respective service areas (\$0.860 million). Primarily, user fees have been reclassified to other revenue (i.e. Portfolio Management & Admin revenue). This decrease is somewhat offset by an increase in revenue to recover the City's full costs associated with reviewing development applications. City Council adopted a fee schedule set out in the "Development Application Review fees" staff report (November 25, 2011) effective April 1, 2012 and amended the Municipal Code Chapter 441-4 accordingly. As part of the staff recommendations, development application fee revenues received by City Planning will be re-directed to the various contributing Programs' 2012 Operating Budgets, utilizing the activity based costing (ABC) methodology outlined in the report. As a result, a \$0.509 million increment is included in the 2013

Recommended Base Budget to reflect the 2013 annualized impact of Technical Services' direct cost recovery for the Development Application Review process.

- *Recoveries from Capital* increased by \$0.130 million or 0.3% which is mainly due to various adjustments (i.e. increases for step, progression and COLA offset by reductions to reflect actual experience; etc.) a portion of which are funded through recoveries from clients' capital projects.
- *Other Revenues* have increased by \$1.183 million or 45.3% primarily due to an increase of \$0.323 million generated from both the new Planning Application Fees and Engineering Review and Inspection Fees offset by a \$0.200 million request for Development Engineering to retain professional engineering services to assist with the review of development applications during peaks in application volumes. Also, as noted above, the increase is the result of a realignment of revenues to reflect the appropriate cost elements within the respective service areas. Primarily the reclassification of user fees to other revenue (i.e. Portfolio Management & Admin revenue).

The 2013 Recommended Base Budget provides funding for the following:

Economic Factors

- Increase of \$0.064 million net for union staff step increases.
- Increase of \$0.036 million net for union staff Cost of Living Allowance (COLA) based on the recent contract settlement of 0.5%.
- Increase of \$0.079 million net for non-union staff progression pay increases.
- Decrease of \$0.011 million net for lower anticipated fuel costs.

Other Base Changes

- Decrease of \$0.163 million net to the salaries and benefits budget based on actual experience.
- Eliminate casual regular salary budget of \$0.215 million gross and \$0 net as actual experience showed that this budget was not utilized.
- Decrease other salary related budgets by \$0.038 million net based on actual experience.
- Increase budgeted gapping by \$0.003 million net to maintain the 2012 gapping rate of 4.4% or \$2.509 million, which is the equivalent of 25 approved positions and is accommodated within the salary budget. The Program is currently projecting 105 vacant positions by December 31, 2012.
- Increase non-salary expenses by \$0.019 million net related to existing staff changes and new staff (i.e. Portfolio Management & Support) that has not had base funding since the unit was formed. The change is based on actual projected spending in 2013 after re-alignment of budgets within various service areas and cost elements.
- Increase contribution to the vehicle reserve by \$0.006 million gross (\$0 net) based on actual experience and projected fleet maintenance requirements.

- Decrease to salaries and benefits by \$4.714 million offset by an equal increase in services & rents to reflect the implementation of the initial phase of the Program's re-structuring strategy.

Revenue Changes

- Increase in engineering review and inspection revenue of \$0.323 million gross and \$0.123 million net based on the work to be completed in 2013.
- Create a revenue budget (\$0.136 million) for Survey & Utility Mapping sundry fees (i.e. Digital Map Owners Group (DMOG); Municipal Numbering; sale of Field Notes) based on actual experience as these had not been budgeted for previously. This will allow these fees to be monitored and the application of economic factor increases where applicable.

Appendix 5

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

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 Equipment Reserve	XQ1016	321.4	309.0	309.0	309.0
Insurance Reserve Fund	XR1010	21,258.9	462.7	462.7	462.7
Total Reserve / Reserve Fund Draws / Contributions			771.7	771.7	771.7

* Based on 3rd Quarter Variance Report

Appendix 6
2013 Recommended User Fee Changes
Inflation (ii)

Ref #	User Fee Description	Fee Category	Fee Unit/Basis	2012 Fee	Inflationary Adjusted Fee	Other Adj.	2013 Rec'd	2013 Incremental Revenue
	TECHNICAL SERVICES							\$468
1	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.	Full Cost Recovery	Per Review Unit fee for assignment/re-assignment of	\$61.33	\$62.62		\$62.62	
9	Request for new municipal number as a result of a severance/consolidation of property - <u>First two numbers</u>	Full Cost Recovery	first two numbers Fee for assignment/re-assignment for each additional number assigned.	\$140.98	\$143.94		\$143.94	
9	Request for new municipal number as a result of a severance/consolidation of property - <u>Each additional number</u>	Full Cost Recovery		\$35.56	\$36.31		\$36.31	
	TECHNICAL SERVICES - TOTAL							\$468

Market Rate (iii)

Ref #	User Fee Description	Fee Category	Fee Unit/Basis	2012 Fee	Inflationary Adjusted Fee	Other Adj.	2013 Rec'd Fee	2013 Incremental revenue
	TECHNICAL SERVICES							\$1,019,000
5	Engineering design and contract administration	Full Cost Recovery	Percentage of construction contract cost	13.5% of contract cost		18.3% of contract cost	18.3% of contract cost	
	TECHNICAL SERVICES - TOTAL							\$1,019,000