

TORONTO REALTY AGENCY

2018 Budget Presentation

November 27, 2017

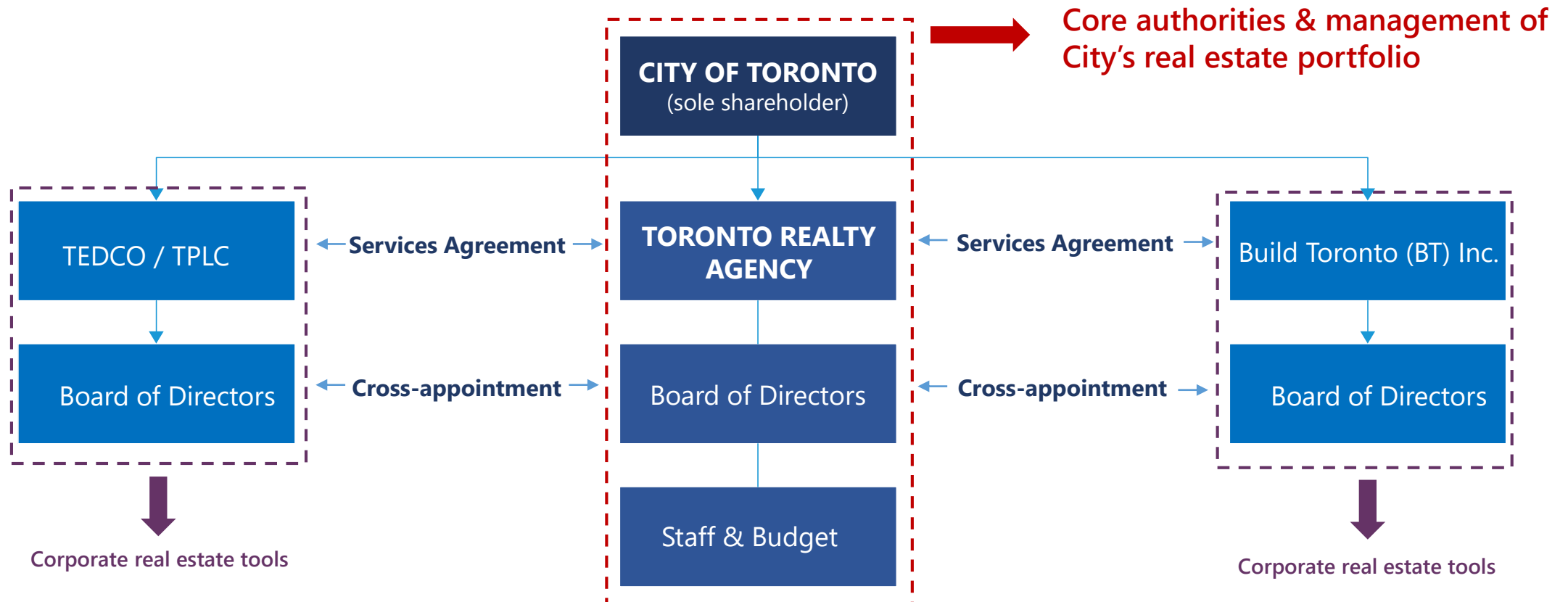


AGENDA

1. TRA Corporate Structure
2. TRA Budget Process
3. TRA Organizational Structure
4. TRA Budget
5. Proposed TRA Budget vs. Expectation from May 2017
6. TRA Sustainability: Incubation Period

TORONTO REALTY AGENCY CORPORATE STRUCTURE

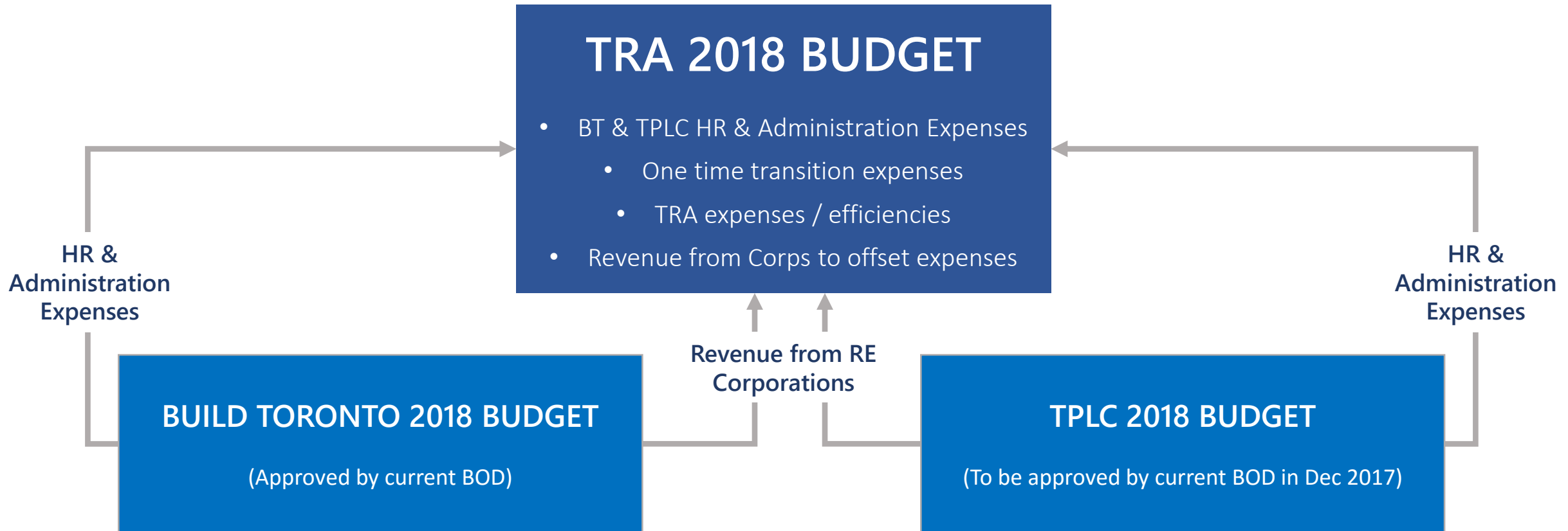
The operations of the Toronto Realty Agency (TRA), and the new real estate delivery model, is reliant upon the financial performance of Build Toronto (*development of surplus land*) & TPLC (*recurring leasing and licensing revenues*)



TRA BUDGET PROCESS

TRA is a service organization – Provides services to corporations and City ABCDs

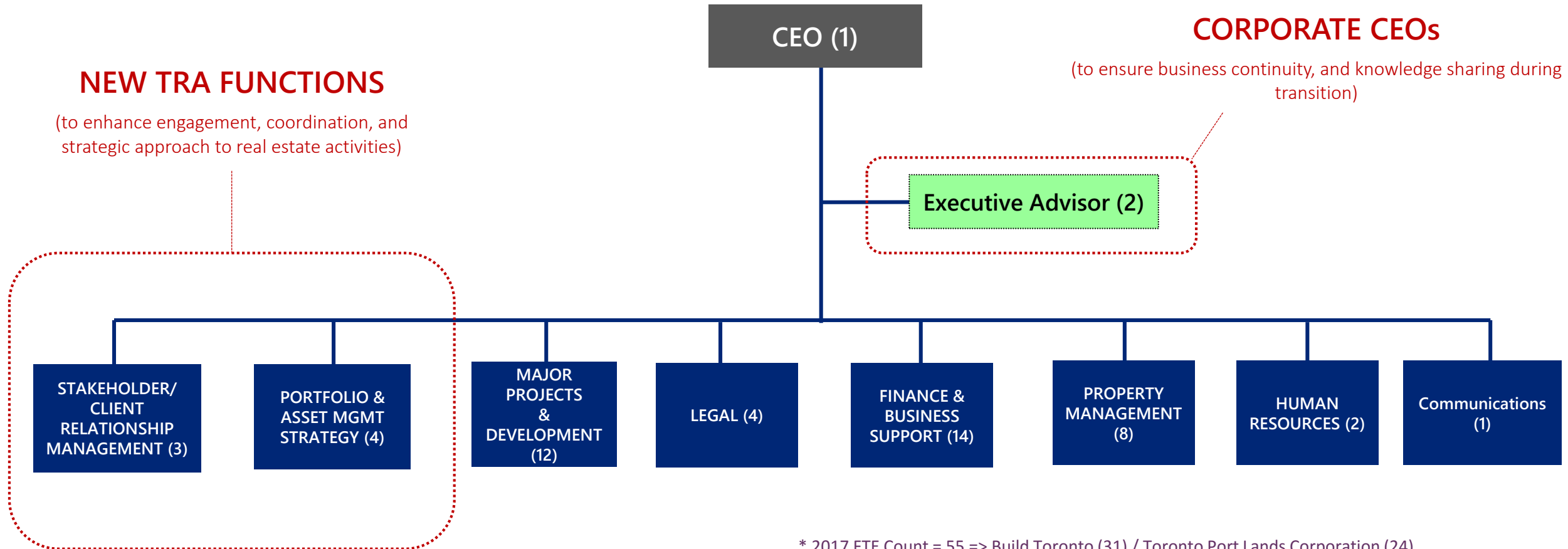
TRA to maintain a net zero budget through recoveries from the real estate corporations (BT / TPLC)



Dividend commitments from TPLC & BT to the City are not negatively impacted by the consolidation

TRA ORGANIZATIONAL STRUCTURE

TRA to have 51 FTEs in 2018, a net reduction of 4 FTEs from 2017*



* 2017 FTE Count = 55 => Build Toronto (31) / Toronto Port Lands Corporation (24)

TRA 2018 BUDGET & ESTIMATES FOR 2019 / 2020

The 2018 budget projects to achieve a marginal net reduction from 2017, as efficiencies through consolidation have offset the set-up of new critical functions for the real estate model

(\$000s)

EXPENSES	2017 BT/TPLC	2018 BT/TPLC	2018 adjustments			Total 2018 TRA Operating Budget	estimates	
			Cost of New Functions	One-Time Costs	Savings from Consolidation		2019 TRA Operating Budget	2020 TRA Operating Budget
Human Resources	8,411	8,637	1,842	679	- 2,359	8,799	9,307	9,493
Financial & Legal	756	706	-	10	-	716	720	735
Marketing & Communications	369	348	-	70	- 45	373	309	315
Office Occupancy	1,098	1,049	-	-	- 346	702	684	698
Board Fees	124	124	230	-	- 124	230	235	239
Office Services	689	778	-	-	- 164	614	626	638
Total Gross Expenses	11,446	11,641	2,072	759	- 3,038	\$11,434	11,881	12,119
<i>YOY Change</i>						<i>-0.1%</i>	<i>3.9%</i>	<i>2.0%</i>
<i>FTE Count</i>	<i>55.0</i>	<i>55.0</i>	<i>8.0</i>	<i>2.0</i>	<i>-14.0</i>	<i>51.0</i>	<i>51.0</i>	<i>51.0</i>
REVENUE						Total		
Contributions from Corporations						\$(11,434)	\$(11,881)	\$(12,119)
NET EXPENDITURE						\$0	\$0	\$0

In 2019, 2 Executive Advisor roles will no longer be required, however 2 different roles will be added to support the model

2018 - 2020 BUDGET *vs* ESTIMATES REPORTED TO COUNCIL (MAY 2017)

Estimated Efficiencies & One-Time Transition Costs (May 2017, EX25.9)

	FTEs	2017	2018	2019	2020
TPLC & BT Consolidation:					
Salaries & Benefits Savings	(11.0)	\$0.0	(\$396.6)	(\$1,682.9)	(\$1,733.4)
Consolidation of office space		\$0.0	\$0.0	(\$209.3)	(\$418.6)
Savings on general & admin fees		\$0.0	\$0.0	(\$150.0)	(\$150.0)
Sub-Total - Savings	(11.0)	\$0.0	(\$396.6)	(\$2,042.2)	(\$2,301.9)
New position requirements for model	12.0		\$375.0	\$1,545.0	\$1,591.4
Total - Annual Net (Savings) / Costs	1.0	\$0.0	(\$21.6)	(\$497.2)	(\$710.6)
One-Time Costs:					
Restructuring / I&T / Transition Support		\$0.0	\$500.0	\$500.0	\$0.0
Total One-Time Costs		\$0.0	\$500.0	\$500.0	\$0.0

Total Savings (excluding one-time costs) expected over incubation period = \$1.229 million (May 2017)

Budgeted Efficiencies & One-Time Transition Costs (November 2017)

	FTEs	2017	2018	2019	2020
TPLC & BT Consolidation:					
Salaries & Benefits Savings	(14.0)		(\$2,359.0)	(\$2,565.9)	(\$2,617.2)
Consolidation of office space			(\$346.4)	(\$377.9)	(\$377.9)
Savings on general & admin fees			(\$102.7)	(\$102.7)	(\$102.7)
Sub-Total - Savings	(14.0)	\$0.0	(\$2,808.1)	(\$3,046.4)	(\$3,097.7)
New position requirements for model	10.0		\$1,842.2	\$2,842.0	\$2,898.9
Total - Annual Net (Savings) / Costs	(4.0)	\$0.0	(\$965.9)	(\$204.4)	(\$198.9)
One-Time Costs:					
Restructuring / I&T / Transition Support			\$759.5	\$0.0	\$0.0
Total One-Time Costs		\$0.0	\$759.5	\$0.0	\$0.0

Total Savings (excluding one-time costs) expected over incubation period = \$1.369 million (November 2017)

TRA SUSTAINABILITY: INCUBATION PERIOD

- **TRA is a component of the City-wide real estate model**
 - Potential for financial efficiency & enhanced service delivery from City components of the real estate model (Real Estate Services; Facilities Management; other City program areas)
- **Incubation Period:**
 - There are sufficient revenues & existing cash reserves with TPLC & BT over the next 3 years to ensure funding for TRA operations
 - This is based on recurring leasing and licensing revenues in TPLC as well as expected development sales in BT
- **Issues impacting future sustainability of current model**
 - Port Lands Flood Protection Project – Expected to result in loss of recurring revenues in TPLC
 - Availability of surplus City properties to develop – BT revenues reliant upon a pipeline of properties to develop

Over the incubation period value creation and efficiencies, within the TRA and City programs, will be key to ensure long-term sustainability of the real estate model

NEXT STEPS

- TRA's current board will approve a budget to be referred to the City's Budget Committee
- TRA budget will be submitted to Budget Committee for approval as part of the City's budget process
- On December 15th, 2017, the TRA will be presenting the recommended budget to the City's Budget Committee
- In February, Council will approve the budget.