

Toronto Realty Agency

2018 Preliminary Operating Budget

Budget Committee



- Toronto Realty Agency Overview:
 - Overview of new real estate service delivery model
 - Agency background
 - Agency structure and business operations

- Operating Budget Overview
 - 2017 Service Performance
 - 2018 Issues and Priority Actions
 - 2018 - 2020 Preliminary Operating Budget & Plan



Real Estate Service Delivery Model and Toronto Realty Agency Overview



New Real Estate Service Delivery Model



The first Budget Submission of the new Toronto Realty Agency

- In May 2017, Toronto City Council approved a new city-wide real estate service delivery model that will centralize real estate and facilities management activities across the City.
- The model will take a "whole of government" approach and apply a city-wide lens to ensure the effective use of real estate assets.
- The new model includes:
 1. The City of Toronto's Real Estate Services and Facilities Management divisions with an expanded city-wide scope and mandate.
 2. A new agency to manage the City's real estate portfolio, develop City buildings and lands for municipal purposes and deliver client-focused real estate solutions to City divisions, agencies and corporations.

New Real Estate Service Delivery Model



Opportunity:

1. City-wide Oversight of a Valuable & Complex Portfolio
2. Streamlining Governance & Decision-making
3. Identify Opportunities for City-Wide Coordination
4. Build-up Real Estate Expertise
5. Operations / Processes / Data Integrated & Standardized

New Real Estate Service Delivery Model



Mandate:



ENABLE CITY-BUILDING

Enable City Priorities & Pursue Opportunities In The Public Interest

PROGRAM FOCUSED

Deliver Quality Real Estate Service & Solutions To City Programs

REAL ESTATE ASSET STEWARDSHIP

Governance & Oversight Of All City-Wide Real Estate Activities

New Real Estate Service Delivery Model



KEY FEATURES

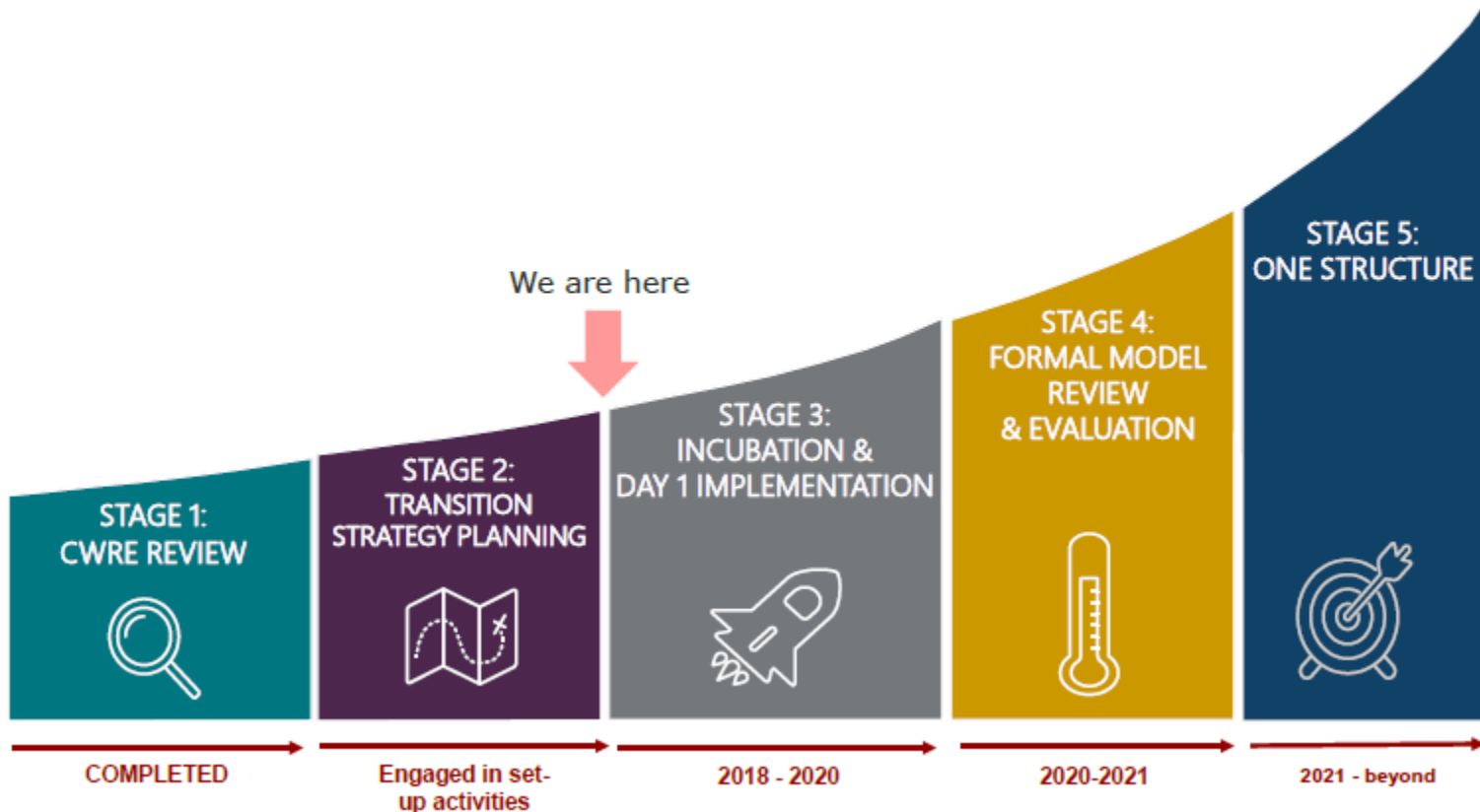
- Professional knowledge within the board
- Key strategy, long term planning & development advice
- Key development tools will be maintained
- Coordinated management of asset decisions
- Desired City tie-backs & integration is achieved
- Allows greater focus – day to day vs. strategy and planning

New Real Estate Service Delivery Model

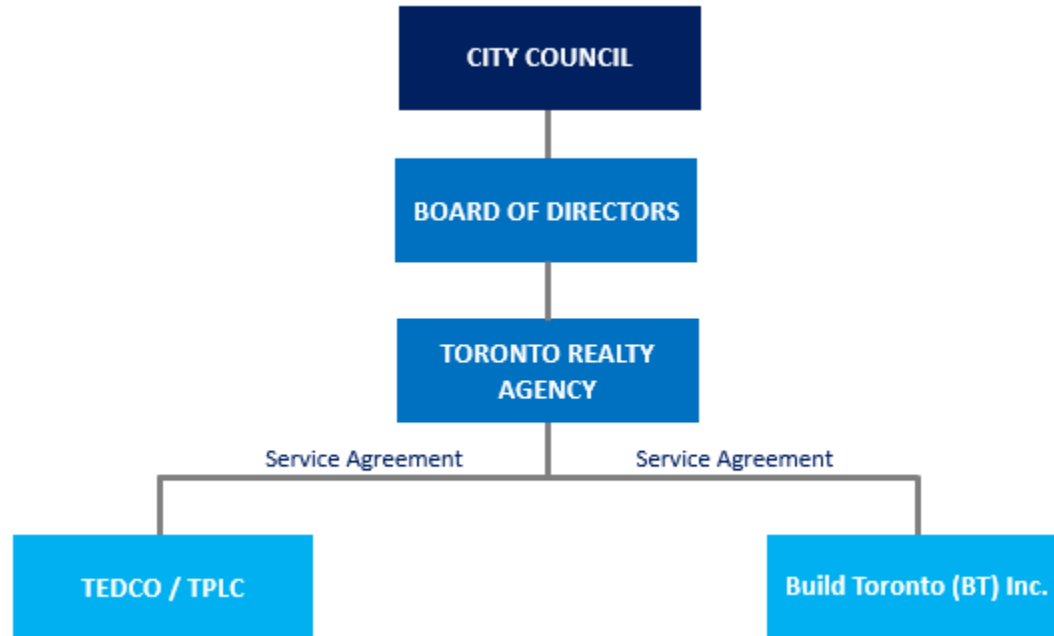


A DELIBERATE MATURITY MODEL

INTEGRATED SERVICE DELIVERY EVOLVES OVER TIME



TRA - Governance Structure

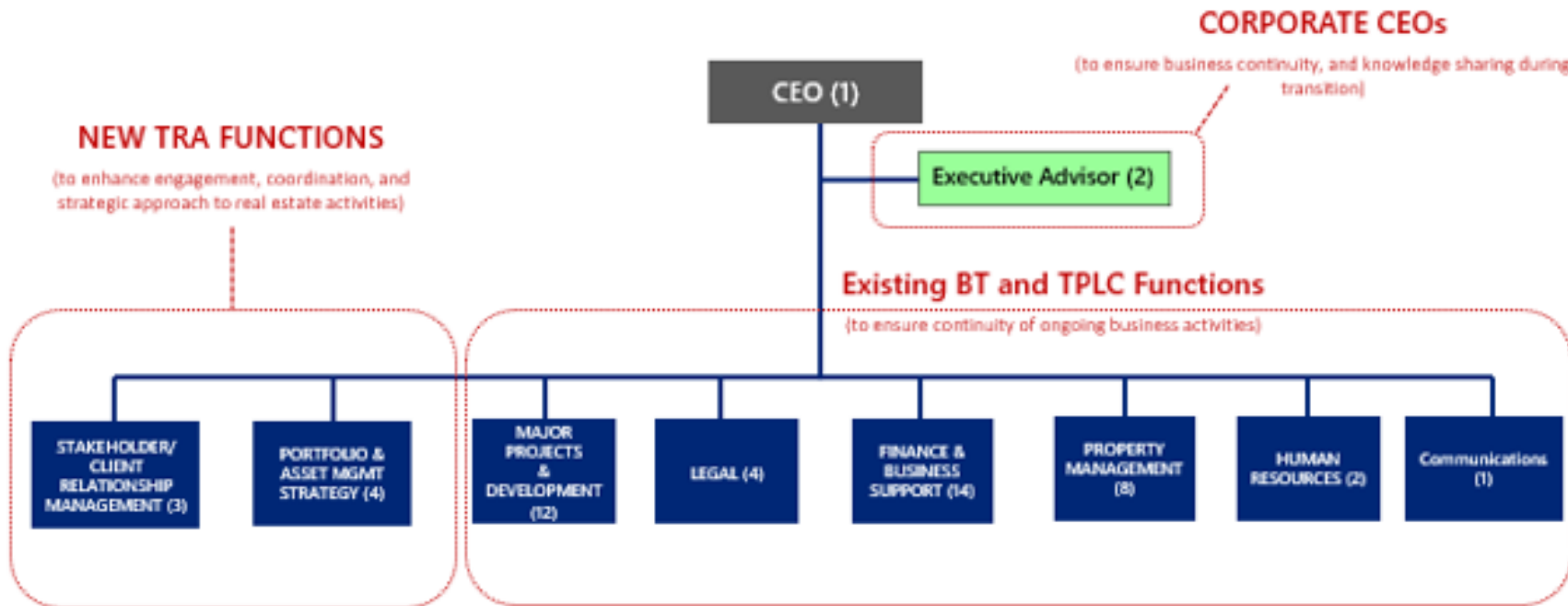


- ✓ City Council has ultimate authority over activities within the TRA and the corporations
- ✓ Initiatives or development for municipal use will be delivered by TRA, upon Council approval
- ✓ Initiatives or development related to non-municipal use will be delivered by TRA, within corporations, and will adhere to MOU and shareholder directions approved by Council
- ✓ TRA holds centralized city-wide real estate authorities through Council approved amendments to BT & TPLC shareholder directions and municipal chapter codes & delegated authorities for certain agencies/divisions

TRA Organizational Structure



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



* 2017 FTE Count = 55 → BT (31) / TPLC(24)

TRA Business Activities



- **Portfolio Strategy / Asset Management**
 - *Portfolio Strategy* - development of overall strategy for the City's land and building portfolio, undertaking analysis to serve City purposes/services and maximize the efficiency of the Portfolio
- **Customer Relationship Management (CRM)**
 - Establish the overall real estate strategic framework for each client entity
- **Development (Municipal & Non-Municipal)**
 - 16 properties under development, 2 partnerships under the former Build Toronto Corporation
 - Major projects and city building initiatives in support of City agencies, boards, and divisions
- **Leases, Licenses and Property Management**
 - 400 acres of land under management with over 100 leases under the former TPLC corporation
 - Oversight over strategic city assets



Operating Budget Overview

TRA Budget



Full TRA financials, including municipal and non-municipal operations

(in \$000s)	2018 Budgeted Statement of Operations			
	TPLC	BUILD TORONTO	Adjustments for Consolidation	TRA Consolidated
Total Net Sales from Development	0	38,269		38,269
Total Net Rental Revenues from leases and licenses	8,764	496		9,260
Total Net Revenues	8,764	38,765		47,529
Total Expenses - G&A	4,169	7,471	(206)	11,434
Total Expenses - Amortization of office equipment	26	170	0	196
Total Income from Operations	4,568	31,124	206	35,899
Other Income and Adjustments	507	1,788		2,295
Net Income and Comprehensive Income	5,075	32,911	206	38,193

Total TRA Budget – See next slide

TRA Budget



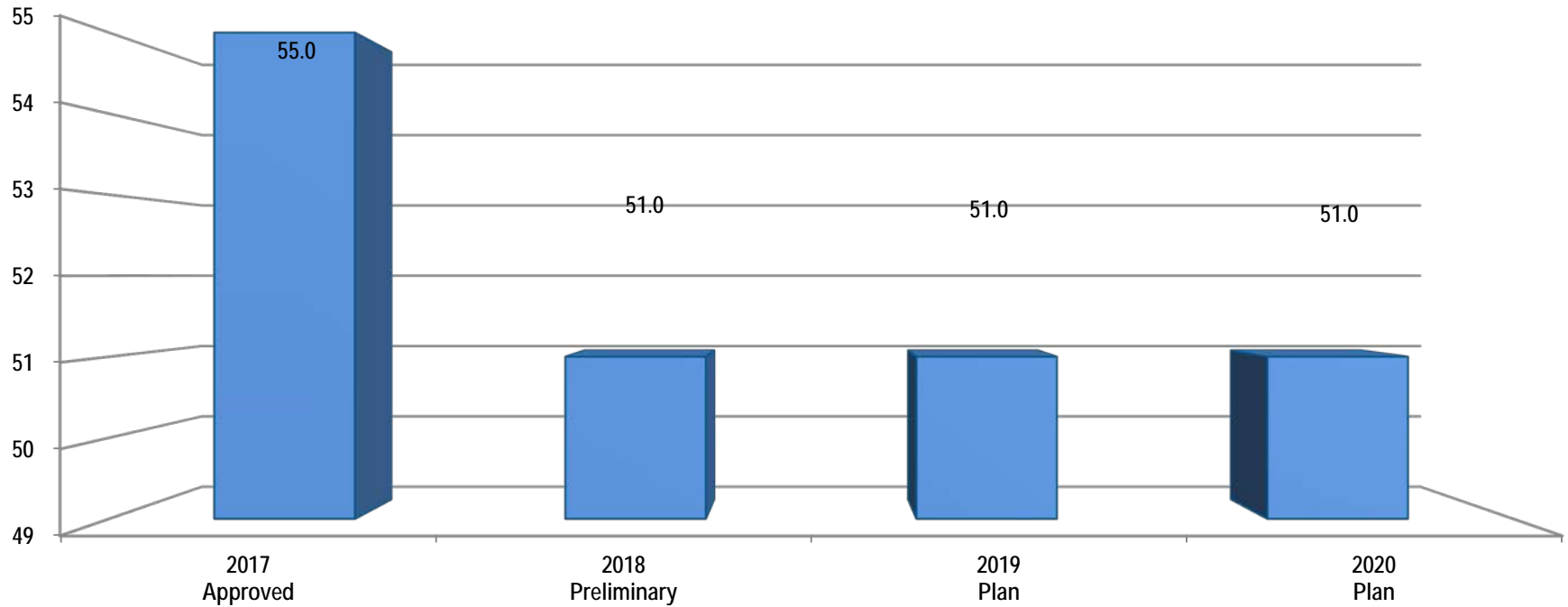
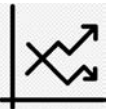
- Toronto Realty Agency budget consists of general & administrative expenses for TPLC & BT, adjusted for savings from consolidation and new TRA functions

EXPENSES	TPLC	BUILD TORONTO	Adjustments for Consolidation	Total TRA Budget*
Human Resource	2,985	5,652	163	8,799
Financial & Legal	310	396	10	716
Marketing & Communications	227	121	25	373
Office Occupancy	378	671	(346)	702
Board Fees	-	124	106	230
Office Services	270	507	(164)	614
Total Expenses - G&A	4,169	7,471	(206)	\$11,434

* The TRA board approved a recommendation to add a contingency for human resources and professional services in the amount of \$0.879 million to the TRA Budget. This is not included in the total budget above and has been referred to the 2018 budget process for City Council consideration.

- TRA is a service based organization, providing services to corporations as well as City agencies, boards and divisions
- TRA will maintain a net zero budget through recoveries from the real estate corporations (BT / TPLC) as well as through fee-based services to the City, where applicable

Staffing Trend (Excludes Capital Positions)



- **2017** represents the combined Build Toronto (31 FTE's) and Toronto Port Lands Company (24 FTE's) complement, pre-consolidation
- **2018** reduction in 4 FTE's due to 14 redundant positions identified through consolidation, offset by 10 positions required for new TRA functions & transition.
- Staffing levels could be impacted in 2019 and 2020 as the model matures and further consolidation of real estate services occur.

2017 Key Service Accomplishments



- **Establishing the new CWRE Model and TRA set-up**
 - Council approved new City-wide Real Estate Model (CWRE) in May 2017
 - City Council approved centralizing real estate authorities in September 2017
 - TRA Interim CEO / Transition Lead appointed in September 2017
 - TRA organization build-out completed and announced to staff in October 2017
 - TRA permanent Board of Directors appointed in November 2017
 - Council approved amendments to required Municipal Code Chapters (TTC, TPA, Ex, TPL, PFR) & Shareholder Directions (BT / TPLC) in December 2017
- **Transition Activities with Divisions, Agencies & Corporations:**
 - Proactively initiated engagement and coordination efforts for key municipal city-building projects and priorities: Etobicoke Civic Centre, Rail Deck Park, Co-location opportunities, Shelters, etc
- **Ensuring transition & business continuity of critical BT / TPLC objectives**

Key Issues & Challenges for 2018 and Beyond

- **Operationalizing the new real estate service delivery model**
 - Organizational integration and management framework (MOU)
 - City-wide & TRA organizational change management (including ensuring business continuity)
- **Build-out of new TRA and CWRE functions:**
 - *Customer Relationship Management*
 - *Portfolio Strategy & Asset Management*
- **Real estate data management**
 - Identifying, gathering, and sharing across agencies, boards, corporations & City divisions
- **Prioritizing real estate needs**
 - Strategically deploying resources to ensure success
- **Future sustainability of current model**
 - Port Lands Flood Protection Project – Expected to result in loss of recurring revenues
 - Availability of surplus City properties to develop to generate financial returns

Service Objectives & Key Priority Actions

The 2018 Preliminary Operating Budget will enable the TRA to begin to implement the new real estate service delivery model, including:

- Coordinate stewardship of all of the City's real estate assets, and execute a mandate focused on supporting programs and enabling city-building
- Establish and operationalize a new real estate service delivery model across City agencies, boards, corporations and divisions
- Establish new TRA functions – Client Relationship Management and Portfolio Strategy and Asset Management – within the model
- Consolidate authorities and directions established to date within an operational memorandum of understanding between the Agency and the City in Q1 2018
- Develop an integrated city-wide real estate strategy for Council approval in Q1 2019
- Maximize real estate value in pursuit of social, economic, environmental, and program benefits, while achieving new revenue and cost savings



2018 - 2020 Preliminary Operating Budget & Plan



2018 Preliminary Operating Budget Summary

(In \$000s)	2017	2018 Preliminary Operating Budget			2018 Preliminary vs. 2017 Budget Change		Incremental Change			
	Budget*	Base	New/Enhanced	Total Budget	\$	%	2019 Plan		2020 Plan	
By Service	\$	\$	\$	\$	\$	%	\$	%	\$	%
Toronto Realty Agency										
Gross Expenditures	11,459.0	8,602.4	2,831.6	11,434.0	(25.0)	(0.2%)	446.5	3.9%	238.5	2.0%
Revenue	11,459.0	8,602.4	2,831.6	11,434.0	(25.0)	(0.2%)	446.5	3.9%	238.5	2.0%
Net Expenditures	0.0	0.0	0.0	0.0	0.0	(0.0%)	(0.0)	(0.0%)	(0.0)	(0.0%)
Approved Positions	0.0	41.0	10.0	51.0	51.0	(0.0%)	0.0	(0.0%)	0.0	(0.0%)

**Prepared for comparative purposes and based on consolidated 2017 Operating Budgets for Build Toronto and Toronto Port Lands Corporation*

Key Points:

- 2018 Preliminary TRA budget is \$0.025 million, or 0.2%, below the combined 2017 TPLC/BT Board approved comparative operating budgets
- Efficiencies from consolidation in staffing and other general and administrative costs are offset by transition costs and new functions critical to the real estate service delivery model
- Total expenditures within TRA will be offset by recoveries made from the TPLC and BT corporations for services provided to these corporations and other contributions to cover net new functions in the TRA

Key Cost Drivers

- Opening 2018 budget represents TPLC/BT before consolidation:

(In \$000s)	Total	
	\$	Position
Gross Expenditure		
Other Base Expenditures		
Salaries and Benefits	8,636.2	55.0
General and Administration	3,004.2	
Total Gross Expenditures	11,640.4	55.0
Revenues		
Base Revenues		
Contributions from Build Toronto (BT) and Toronto Port Lands Corporation (TPLC)	(11,640.4)	
Total Revenues	(11,640.4)	
Net Expenditures	(0.0)	55.0

- Salaries and benefits of \$8.636 million are comprised of costs for 55 existing Build Toronto and Toronto Port Lands Company staff
- General and administrative costs of \$3.004 million are attributable to financial and legal expenses, marketing, Board & professional services, as well as office occupancy and supplies

Service Efficiencies

Description (\$000s)	Total Service Changes			Incremental Change			
	\$	\$	#	2019 Plan		2020 Plan	
	Gross	Net	Pos.	Net	Pos.	Net	Pos.
Service Efficiencies							
Reduction in complement from consolidation of Build Toronto (BT) & Toronto Port Lands Corporation (TPLC) staff	(2,359.0)		(14.0)				
Efficiencies in general and administrative cost from consolidation	(679.1)						
Sub-Total	(3,038.1)		(14.0)				
Total Changes	(3,038.1)		(14.0)				

- Savings of \$3.038 million will be realized as a result of the BT / TPLC consolidation:
 - Complement reduction of 14.0 positions represent savings of \$2.359 million
 - Other savings include office occupancy costs due to co-location of staff and other general and administrative office expenses

New/Enhanced Services Included in 2018 Preliminary Operating Budget

Description (\$000s)	New and Enhanced		Total New and Enhanced			Incremental Change				
	Toronto Realty Agency		\$	\$	Position	2019 Plan		2020 Plan		
	Gross	Net				Gross	Net	#	Net	Pos.
New Service Priorities										
Staff Initiated:										
Positions to support new TRA functions & Board	2,072.1		2,072.1		8.0			2.0		
One-time costs for consolidation and transition	759.5		759.5		2.0			(2.0)		
Sub-Total Staff Initiated	2,831.6		2,831.6		10.0					
Total New Service Priorities	2,831.6		2,831.6		10.0					
Total New / Enhanced Services	2,831.6		2,831.6		10.0					

- Two critical new functions will be introduced by the Toronto Realty Agency (TRA) to enhance engagement, coordination, and strategic approach to real estate activities
- One-time costs to ensure business continuity, as well as other start-up costs to establish the new Agency including marketing and professional services

New/Enhanced Services Not Included in 2018 Preliminary Operating Budget

Description (\$000s)	Total New and Enhanced			Incremental Change			
	Toronto Realty Agency		Position	2019 Plan		2020 Plan	
	Gross	Net	#	Net	Pos.	Net	Pos.
New Service Priorities							
Referred to Budget Process:							
Toronto Realty Agency 2018 Contingency Budget	879.0						
Sub-Total Referred to Budget Process	879.0						
Total New Service Priorities	879.0						
Total New / Enhanced Services	879.0						

- At its Board meeting on November 27, 2017, the Toronto Realty Agency (TRA) Board approved a motion for a provision of \$0.879 million (fully funded through contributions from corporations) to be referred to the 2018 Budget Process.
- The provision would allow for TRA to be agile and adapt to unpredictable demands for service as the model becomes operational. This would allow for the addition of staff or professional services to meet client demand.
- Board stipulated that use of funds within this provision must be pre-approved by the Board prior to expenditure of the funds.

Description (\$000s)	2019 - Incremental Increase					2020 - Incremental Increase				
	Gross Expense	Revenue	Net Expense	% Change	Position	Gross Expense	Revenue	Net Expense	% Change	Position
<i>Known Impacts:</i>										
Prior Year Impact										
Staffing changes from consolidation & new functions	507.5	(507.5)				187.0	(187.0)			
General & admin changes from consolidation	(61.0)	61.0				51.5	(51.5)			
Sub-Total	446.5	(446.5)				238.5	(238.5)			
Total Incremental Impact	446.5	(446.5)				238.5	(238.5)			

- Annualization costs for the new positions and adjustments for cost of living contribute to the 2019 and 2020 incremental increases.
- Savings in general and administrative costs of \$0.061 million gross are anticipated in 2019 and are driven by the reversal of one-time costs required for transition and setup of the new Agency.

