

2019 Consulting Services Expenditures – City Divisions and Agencies and Corporations

Date: September 21, 2020
To: General Government and Licensing Committee
From: Controller
Wards: All

SUMMARY

As requested by Council, this report provides information on the consulting services expenditures of City Divisions and Agencies and Corporations (A&Cs) for the year ended December 31, 2019. The report contains a summary and details, by category and vendor, of operating and capital consulting services expenditures for 2019, with 2018 comparatives.

Overall, the City of Toronto (the City) and its A&Cs spent \$37.7 million on consulting services in 2019 for operating and capital combined, which represents an overall increase of \$12.6 million (or 50.1%) compared to 2018. The overall increase in consulting expenditures consists of an \$8.8 million (or 72%) increase within City Divisions, and a \$3.8 million (or 29%) increase within A&Cs.

Information for this report is gathered from the City's divisions and verified against the City's general ledger by Accounting Services. Information from agencies and corporations is both accumulated and verified by those entities. Accounting Services consolidates this report on behalf of the City.

The City's use of external services varies by year and project and supplements critical skill sets and expertise that are needed just-in-time, and are not available within existing staff complements, as well as enables the City to quickly complete essential initiatives while maintaining existing service levels. All expenditures have been budgeted as part of fiscal 2019.

In 2019, consulting operating expenditures increased as a result of:

- The City's one-time investment to support enterprise-wide transformations, particularly aimed at improving the effectiveness of procurement and sourcing practices and budget modernization. These initiatives resulted in savings in excess of \$40.0 million; and
- The City's receipt of legal advisory services to address the Province of Ontario's amendment of the Construction Act.

Furthermore, 2019 consulting capital expenditures increased as a result of:

- The City's initiatives associated with roads and transit services;
- Toronto Transit Commission (TTC)'s review of its new streetcars and subway assets; and
- Toronto Waterfront Revitalization Corporation's assessment of its Quayside project.

RECOMMENDATIONS

The Controller recommends that the General Government and Licensing Committee receive this report for information.

FINANCIAL IMPACT

There are no financial implications arising from the recommendations made in this report for the current fiscal period. All of the City's expenditures were incurred in previous years as part of budgeted expenditures. However, the City's investments will generate return on investments in future fiscal periods as modernization initiatives will improve overall service delivery and offerings.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of December 4 to 6, 2001, Toronto City Council (Council), approved the following activities, as part of its adoption of Audit Committee Report No. 10, Clause 10 titled "Policy for the Selection and Hiring of Professional and Consulting Services, Use of Consultants and Expenditure Reduction Strategies, and Hiring of Professional and Consulting Services Review":

- The development of a Purchasing Policy for the Selection and Hiring of Professional and Consulting Services; and
- A requirement that "(all) future reporting of consulting expenditures be based on actual expenditures incurred and not on the value of contracts awarded unless specifically requested by Council. In order to ensure that such reporting is accurate, all consulting costs reported to Council be reconciled to the City's financial information system by each Department."

The following is the link to the Council decision and staff report:

<http://www.toronto.ca/legdocs/2001/agendas/council/cc011204/au10rpt/cl010.pdf>

Subsequently, Council at its meeting held on June 18 to 20, 2002, adopted the following recommendation contained in a report dated May 31, 2002 from the Chief Administrative Officer, entitled "Corporate Accountability Framework – Implementation Plan and Status Update on the Use of Consultants" (re: Audit Committee Report No. 6, Clause 1):

"The [Chief Administrative Officer] and [Chief Financial Officer and Treasurer], in consultation with the City Auditor, provide an annual report commencing with the period ending December 31, 2002, on consulting expenditures that will include actual consulting expenditures for the previous year and the year prior (i.e., 2002 and 2001 actuals) organized by: department or local board, by the specific consulting categories, and by vendor."

The following is the link to the Council decision and staff report:

<http://www.toronto.ca/legdocs/2002/agendas/council/cc020618/au6rpt/cl001.pdf>

At its meeting held on May 23 - 25, 2007, Council approved an amended policy for the Selection and Hiring of Professional and Consulting Services to reflect changes made to the City's administrative structure and amendments made to the City's Purchasing and Financial Control By-laws (re: GM4.8). Following is the link to the Council decision and staff report:

<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-05-23-cc08-dd.pdf>

ISSUE BACKGROUND

Similar to any public or private entity, the City retains consultants for specific projects or assignments requiring certain technical capabilities, or unique and specialized advice, not available in-house or as required by legislation. It is often more cost effective to retain these specialized services on an as required basis, as compared to employing and training staff for specialized skills that are used infrequently and may become redundant as requirements change.

Consulting services are acquired in accordance with the Council approved policy on the Selection and Hiring of Professional and Consulting Services, as well as the City's Purchasing By-law, policies and procedures.

As outlined in the Council approved policy for the Selection and Hiring of Consulting Services, the term "Consulting Services" is defined as any firm or individual providing expert advice or opinion on a non-recurring (or non-annually) basis to support or assist management decisions in the following areas:

Technical: undertake activities on a defined assignment to assist managers in analyzing technical problems and recommending solutions (including the selection of engineering/architectural designs, research, appraisals, and planning).

Management / Research and Development: undertake planning, organizing and directing activities to assist managers in analyzing management problems and recommending solutions for a defined assignment (can be operational, administrative, organizational policy in nature); with research and development, investigative study, to provide the City with increased knowledge or information.

Information Technology: undertake activities on a defined assignment to assist managers in needs assessment and system selection including information processing, telecommunications and office automation (can be analytical, testing or of a business process nature).

External Lawyers and Planners (Legal): as determined in consultation with City Legal staff is a service undertaken for legal advice or opinion which requires expertise and time that is not available by City staff.

Creative Communications: inclusive of advice and recommendations on strategies for advertising, promotions, public relations and design which requires expertise and time that is not available by City staff.

COMMENTS

The consulting services expenditures reported follow the five (5) categories outlined in the Selection and Hiring of Consulting Services policy that was approved by Council in May 2007.

City Divisions and A&Cs have confirmed their 2019 consulting services expenditures, by vendor, for each of the five categories funded from both the Operating and Capital Budgets. Accounting Services staff have verified and reconciled actual and budget amounts reported by City Divisions to the City's general ledger. Amounts reported for the A&Cs were confirmed by the specific agency or corporation.

The consulting services expenditures for the Accountability Officers are not included in this report as their expenditures are subject to a review by an external consultant and are reported separately.

A summary of the consulting services expenditures for 2019, with 2018 comparatives, for Operating and Capital, of City Divisions and A&Cs, is presented below in Tables 1, 2, and 3:

- Tables 1a (Operating) and 2a (Capital) provide a summary by category;
- Tables 1b (Operating) and 2b (Capital) provide a summary by City division and by A&C; and
- Table 3 provides a summary of the total consulting services expenditures that were incurred over a 10-year period (2010 to 2019).

The details of the consulting services expenditures for 2019, by category and vendor, for each City division and A&Cs, are shown on Appendix A (Operating) and Appendix B (Capital).

Table 1a

OPERATING
Consulting Services Expenditures Summary
By Consulting Category for City Divisions and A&Cs
(Details in Appendix A)

Category	2019 Actual	2018 Actual	Increase (Decrease)	2019 Expenditure by Category	2018 Expenditure by Category
	(\$000's)		%		
City Divisions					
Creative Communications (Creative Comm.)	65.7	27.1	142.4%	0.8%	1.0%
Information Technology (Info. Tech.)	351.4	152.6	130.4%	4.4%	5.5%
Legal	286.3	329.1	(13.0%)	3.6%	11.8%
Management / Research & Development (Mgmt. / R&D)	6,084.3	1,125.5	440.6%	76.1%	40.4%
Technical (Tech.)	1,205.0	1,150.7	4.7%	15.1%	41.3%
Total City Divisions	7,992.7	2,785.0	187.0%	100.0%	100.0%
A&Cs					
Creative Communications	737.6	516.2	42.9%	13.2%	10.0%
Information Technology	534.2	247.5	115.8%	9.6%	4.8%
Legal	424.0	73.0	480.8%	7.6%	1.4%
Management / R & D	3,411.4	2,376.3	43.6%	61.2%	46.1%
Technical	471.1	1,939.1	(75.7%)	8.4%	37.7%
Total A&Cs	5,578.3	5,152.1	8.3%	100%	100.0%
Grand Total	13,571.0	7,937.1	71.0%		

Table 1b

OPERATING
Consulting Services Expenditures Summary
By Consulting Category for City Divisions and A&Cs
(Details in Appendix A)

Category	Creative Comm.	Info. Tech.	Legal	Mgmt./ R&D	Tech.	2019 Total	2018 Total	Increase / (Decrease)
	(\$ 000's)							%
City Divisions								
City Manager	-	-	-	364.4	38.0	402.4	72.4	455.8%
Community and Social Services	65.7	-	-	931.7	460.6	1,458.0	969.0	50.5%
Corporate Services	-	351.1	224.6	96.4	3.8	675.9	400.4	68.8%
Finance and Treasury Services	-	-	61.7	4,183.4	54.9	4,300.0	801.9	436.2%
Infrastructure and Development	-	0.3	-	508.4	647.7	1,156.4	541.3	113.6%
Total City Divisions	65.7	351.4	286.3	6,084.3	1,205.0	7,992.7	2,785.0	187.0%

Category	Creative Comm.	Info. Tech.	Legal	Mgmt./ R&D	Tech.	2019 Total	2018 Total	Increase / (Decrease)
	(\$ 000's)							%
A&Cs								
Exhibition Place	-	84.9	-	16.5	17.4	118.8	114.5	3.8%
TO Live	248.4	-	28.2	41.0	1.9	319.5	26.5	1,105.7%
Toronto Community Housing Corporation	151.2	151.7	-	28.3	35.3	366.5	-	100%
Toronto Police Service	119.6	270.1	50.2	1,092.0	234.0	1,765.9	2,177.5	(18.9%)
Toronto Police Services Board	-	-	65.4	16.0	-	81.4	50.3	61.8%
Toronto Public Health	-	0.8	13.7	150.3	-	164.8	501.2	(67.1%)
Toronto Public Library Board	50.7	13.4	-	145.8	-	209.9	125.6	67.1%
Toronto Transit Commission	-	-	-	1,736.2	106.6	1,842.8	2,127.9	(13.4%)
Toronto Waterfront Revitalization Corporation	167.7	13.3	246.9	86.1	75.9	589.9	-	100%
Toronto Zoo	-	-	19.6	99.2	-	118.8	28.6	315.4%
Total A&Cs	737.6	534.2	424.0	3,411.4	471.1	5,578.3	5,152.1	8.3%
Grand Total	803.3	885.6	710.3	9,495.7	1,676.1	13,571.0	7,937.1	71.0%

Table 2a

CAPITAL
Consulting Services Expenditures Summary
By Consulting Category for City Divisions and Agencies & Corporations
(Details in Appendix B)

Category	2019 Actual	2018 Actual	Increase (Decrease)	2019 Expenditure by Category	2018 Expenditure by Category
	(\$000's)		%		
City Divisions					
Creative Communications	15.9	230.0	(93.1%)	0.1%	2.4%
Information Technology	287.9	104.9	174.5%	2.2%	1.1%
Legal	-	-	-	-	-
Management / Research & Development	2,549.5	2,512.9	1.5%	19.6%	26.7%
Technical	10,137.8	6,560.9	54.5%	78.0%	69.7%
Total City Divisions	12,991.1	9,408.7	38.1%	100.0%	100.0%
A&Cs					
Creative Communications	417.1	-	100%	3.8%	<0.1%
Information Technology	473.9	-	100%	4.3%	<0.1%
Legal	941.9	64.1	1,369.4%	8.5%	0.8%
Management / R & D	1,630.3	3,088.5	(47.2%)	14.7%	39.8%
Technical	7,649.2	4,602.5	66.2%	68.8%	59.3%
Total A&Cs	11,112.4	7,755.1	43.3%	100.0%	100.0%
Grand Total	24,103.5	17,163.8	40.4%		

Table 2b

CAPITAL
Consulting Services Expenditures Summary
By Consulting Category for City Divisions and Agencies & Corporations
(Details in Appendix B)

Category	Creative Comm.	Info. Tech.	Legal	Mgmt./ R&D	Tech.	2019 Total	2018 Total	Increase / (Decrease)
	(\$ 000's)							%
City Divisions								
City Manager	-	-	-	127.0	-	127.0	-	100%
Community and Social Services	-	-	-	6.6	-	6.6	-	100%
Corporate Services	-	-	-	101.8	985.1	1,086.9	749.1	45.1%
Finance and Treasury Services	-	51.9	-	106.9	178.6	337.4	756.2	(55.4%)
Infrastructure and Development	15.9	236.0	-	2,207.2	8,974.1	11,433.2	7,903.4	44.7%
Total City Divisions	15.9	287.9	-	2,549.5	10,137.8	12,991.1	9,408.7	38.1%

Category	Creative Comm.	Info. Tech.	Legal	Mgmt./ R&D	Tech.	2019 Total	2018 Total	Increase / (Decrease)
	(\$ 000's)							%
A&Cs								
Exhibition Place	-	-	-	-	23.6	23.6	-	100%
TO Live	-	-	-	-	804.4	804.4	438.9	83.3%
Toronto Community Housing Corporation	-	426.4	-	-	-	426.4	-	100%
Toronto Police Service	-	41.1	157.5	146.0	208.5	553.1	132.1	318.7%
Toronto Public Library Board	-	-	-	48.5	-	48.5	213.2	(77.3%)
Toronto Transit Commission	-	-	182.8	720.3	6,397.4	7,300.5	6,904.3	5.7%
Toronto Waterfront Revitalization Corporation	417.1	6.4	601.6	226.7	211.7	1,463.5	-	100%
Toronto Zoo	-	-	-	488.8	3.6	492.4	66.6	639.5%
Total A&Cs	417.1	473.9	941.9	1,630.3	7,649.2	11,112.4	7,755.1	43.3%
Grand Total	433.0	761.8	941.9	4,179.8	17,787.0	24,103.5	17,163.8	40.4%

Table 3

OPERATING AND CAPITAL
Consulting Services Expenditures Summary
10-Year Historical Spend (2010 - 2019)

Year	Operating			Capital			Grand Total
	City	A&Cs	Total	City	A&Cs	Total	
	(\$ 000's)						
2019	7,992.7	5,578.3	13,571.0	12,991.1	11,112.4	24,103.5	37,674.6
2018	2,785.0	5,152.1	7,937.1	9,408.7	7,755.1	17,163.8	25,100.9
2017	3,489.3	2,783.7	6,273.0	10,157.0	4,991.3	15,148.3	21,421.3
2016	3,495.7	2,206.4	5,702.1	11,408.8	15,814.5	27,223.3	32,925.4
2015	2,276.6	1,167.6	3,444.2	11,280.6	5,315.0	16,595.6	20,039.8
2014	1,986.9	1,651.0	3,637.9	4,751.5	2,781.8	7,533.3	11,171.2
2013	2,861.7	1,405.5	4,267.2	10,607.0	2,713.0	13,320.0	17,587.2
2012	2,497.3	1,465.4	3,962.7	12,443.0	1,899.1	14,342.1	18,304.8
2011	3,464.1	2,107.1	5,571.2	4,641.5	2,327.0	6,968.5	12,539.7
2010	1,585.2	5,241.5	6,826.7	3,963.9	4,024.7	7,988.6	14,815.3

In 2019, the City's total consulting services expenditures increased by \$12.6 million (or 50.1%) - \$8.8 million of this increase is attributable to the City Divisions and the remaining increase of \$3.8 million is attributable to the A&Cs.

Consulting services supplement critical skill sets and expertise that are needed just-in-time, such as service delivery modernization, and are not available within existing staffing, as well as enable the City to quickly complete essential initiatives while maintaining existing service levels. While spending on consulting services is subject to operational requirements and varies from year to year, several measures implemented since 2002 have resulted in improved control. The initial zero-based justification during the budget process, stricter guidelines on the selection of consultants, compliance with purchasing policies, the requirement to report consulting expenditures as a separate item on the quarterly Operating Budget Variance report as well as this annual report, collectively ensure that City Divisions and A&Cs are maintaining control over their consulting expenditures.

Cost patterns for capital consulting services expenditures are also largely unpredictable. As shown in *Appendix C - Historical Consulting Expenditure Chart – Capital*, consulting expenditures for both City Divisions and A&Cs have fluctuated throughout the past 10 years as a result of varying capital project requirements, with increases over the past few years from the result of modernization initiatives at the City, TTC and Toronto Police.

Accounting Services has a database of consulting services expenditures on the Open Data website, which is available to the public. The database presents expenditures for the past five years, and can be accessed using this hyperlink:

<http://wx.toronto.ca/inter/fin/consultingservices.nsf/HomePageFM?OpenForm>

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SIGNATURE

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ATTACHMENTS

Appendix A: 2019 Consulting Services Expenditure - Operating
Appendix B: 2019 Consulting Services Expenditure - Capital
Appendix C: Historical Consulting Expenditure Chart