

Analyst Briefing Notes

Budget Committee

(January 28, 2008)

2008 OPERATING BUDGET

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2008 OPERATING BUDGET**Executive Summary**

- The 2007 projected year-end actual expenditure is expected to be \$54.465 million net and reflects a favourable year-end variance of \$0.500 million or 0.9% of the 2007 Approved Budget of \$54.966 million. This variance is attributable to cost containment savings from lower than planned utility costs (\$0.256 million) as well as other cost containments measures including hiring freeze and discretionary expenditure reductions (\$0.244 million) undertaken in 2007.
 - As a result of one time cost reductions (hiring freeze, discretionary reductions in non-salary items and further utility savings due to the reduced hours of operation in Civic Centres), the Program will achieve one time cost containment savings of \$0.300 million in 2007.
 - The utility savings of \$0.200 million from energy efficiency measures realized in 2007 will continue in 2008 and they are included in the 2008 Recommended Budget.
- The 3-Year Operating Budget supports Facilities and Real Estate's commitment to work collaboratively and responsively with clients to advance City-wide priorities by protecting and maximizing the City's property assets in an innovative and fiscally sustainable manner.
 - A major challenge for 2009 and beyond will be to maintain the 2008 service levels without further affecting the management and maintenance of the City's property asset portfolio as well as security, cleaning and other services provided at corporate buildings and at Special Events.
 - Facilities and Real Estate staff are also committed to a number of other initiatives that will be undertaken and implemented internally, such as a facilities governance review, introduction of a new leasing data base application and upgrade and replacement of software for tracking and monitoring capital assets, as well as externally, including the Nathan Phillips Square redevelopment and Union Station revitalization.
- The 2008 Recommended Operating Budget for Facilities and Real Estate is \$55.244 million net. This is comprised of base funding of \$55.244 million net and new/enhanced service priorities of \$0 net. Approval of the 2008 Recommended Operating budget will result in the Program's staff complement increasing from 773 to 797.5 approved positions.
 - The 2009 and 2010 Outlook net increase of \$3.529 million or 6.4% and \$1.115 million or 2.0% respectively includes the following: (a) for 2009, initial estimates for ongoing merit and step increases and reversal of an additional one day in 2008 (leap year), and (b) for 2010, preliminary estimates for ongoing merit and step increases. The Outlooks for 2009 and 2010 do not include a provision for COLA, as the further increases (beyond 2008) are subject to future negotiations.

Table 1: 2008 Recommended Budget

(In \$000s)	2007		2008 Recommended Operating Budget			Change - 2008 Recommended from 2007 Approved Budget		FY Incremental Outlook	
	2007 Approved Budget	2007 Projected Actual	2008 Base	2008 New /Enhanced	2008 Operating Budget			2009	2010
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	124,536.0	124,035.3	127,159.5	4,166.2	131,325.7	6,789.7	5.5	3,062.6	1,115.5
REVENUE	69,569.8	69,569.8	71,915.7	4,166.2	76,081.9	6,512.1	9.4	(466.4)	
NET EXP.	54,966.2	54,465.5	55,243.8	0.0	55,243.8	277.6	0.5	3,529.1	1,115.5
Approved Positions	773.0	773.0	767.0	30.5	797.5	24.5	3.2		
TARGET			54,966.2		54,966.2			0.0	0.0
\$ Over / (Under) Program Target			277.6		277.6			3,529.1	1,115.5
% Over / (Under) Program Target			0.5%		0.5%			6.4%	2.0%

- The 2008 Recommended Base Budget is \$0.278 million or 0.5% over the 2008 target. It provides base funding that does not maintain the same service levels as in 2007. As a result of recommended reduction options, there will be minor changes to the building maintenance and security services at some corporate buildings.
- The base budget incorporates the Program's key cost drivers including COLA, collective agreement and other non-discretionary expenditures that total \$6.690 million. These are partially defrayed by increases from fully recoverable client services and external revenues of \$4.002 million, efficiencies of \$2.032 million and minor service reductions of \$0.379 million.
- To promote the Program's objectives and other strategic priorities, the 2008 Recommended Operating Budget incorporates various new/enhanced services resulting in an increase of \$4.166 million gross, \$0 net. These priorities will require 30.5 new positions and include the following:
 - Program-initiated enhanced service priorities: (a) two additional positions to perform operational and capital asset security duties at Union Station, (b) 15 additional positions to upgrade safety and security services to Toronto Water, (c) an additional 2.5 positions to provide cleaning and caretaking services for Toronto Police Service and Court Services, and (d) three additional positions to manage design and construction risk associated with the implementation of the Union Station Revitalization project.
 - Council approved new service priorities: (a) Conservation and Demand Management Response portfolio development (6 new positions) in order to achieve 90MW of demand reduction in Toronto, and (b) provision of dedicated financial portfolio management for the Sustainable Energy Plan (2 positions). These two new service priorities directly respond to Council major strategic directions to reduce greenhouse gases and smog emissions to help combat global warming, approved as part of the "Climate Change, Clean Air and Sustainable Energy Plan: Moving from Framework to Action" report in July 2007.

- The 2008 Recommended Operating Budget will not maintain service levels offered in 2007. A minor service impact in the area of building maintenance and security services at some corporate buildings is expected as a result of recommended reduction options. However, the 2008 Recommended Operating Budget will increase service levels in some other areas by providing funding which will result in: (a) service enhancements such as dedicated security staff for Toronto Water and Union Station, additional caretaking and cleaning services for Toronto Police Service and Court Services, as well as design and construction risk management for Union Station, and (b) new service priorities including the Conservation and Demand Management Response portfolio development under the Master Program Agreement with the Ontario Power Authority (OPA) and financial portfolio management for the Sustainable Energy Plan.
- A key issue for Facilities and Real Estate continues to be the development and evaluation of different strategies, programs and priorities which promote the latest building maintenance standards and green initiatives that reduce energy consumption.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for Facilities and Real Estate of \$131.326 million gross and \$55.244 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross (\$000's)</u>	<u>Net (\$000's)</u>
Facilities	117,125.4	68,011.6
Real Estate	14,200.3	(12,767.7)
	<hr/>	<hr/>
Total Program Budget	<u>131,325.7</u>	<u>55,243.8</u>

2. the Executive Director of Facilities and Real Estate report back on criteria for the recovery from Special Events at Nathan Phillips Square with a view of generating revenues to offset cleaning expenses at such events, in time for consideration with the 2009 Operating Budget process.

Section A: 2007 Budget Variance Analysis

Table 2: 2007 Budget Variance Review

	2006 Actuals	2007 Approved Budget	2007 Projected Actuals*	2007 Appvd. Budget vs Projected Actuals Variance	
(In \$000s)	\$	\$	\$	\$	%
GROSS EXP.	119,135.5	124,536.0	124,035.3	(500.7)	(0.4)
REVENUES	66,751.2	69,569.8	69,569.8	0.0	0.0
NET EXP.	52,384.3	54,966.2	54,465.5	(500.7)	(0.9)
Approved Positions	774.0	773.0	773.0	0.0	0.0

Source: *Projected Actuals Based on the September 30, 2007 Variance Report.

2007 Experience

Facilities and Real Estate's Third Quarter Operating Variance report indicates that the Program is expecting to be slightly under budget by year-end 2007. The Program's year-end projections of \$54.465 million net reflect a favourable variance of \$0.500 million net that brings the projected year-end spending 0.9% under the 2007 Approved Budget of \$54.966 million.

The projected variance is due to cost containment savings from lower than planned utility costs resulting from energy efficiency measures implemented at various corporate buildings over the past several years, as well as from one time cost containment measures that included utility savings from the reduced hours of operation in Civic Centres, hiring freeze and discretionary reductions in non-salary items.

2007 Cost Containment Savings

Facilities and Real Estate expect to achieve cost containment savings of \$0.500 million in 2007 through the measures itemized in the table below.

Net Cost Containment Savings	2007 (\$000s) Savings	2008 (\$000s) Continued Savings	Comments
Hiring Freeze Savings:			
Savings from hiring freeze	(139.5)		One-Time
Sub-total	(139.5)	0.0	
Service Level Adjustments:			
Utility savings due to reduced hours of operation in Civic Centres and other energy efficiency measures	(256.5)	(200.0)	
Sub-total	(256.5)	(200.0)	
Discretionary Savings:			
Cancelled seminars, business travel, equipment, furniture items and supplies	(104.7)		One-Time
Sub-total	(104.7)	0.0	
TOTAL COST CONTAINMENT	(500.7)	(200.0)	

Impact of 2007 Operating Variance on the 2008 Recommended Budget

- The utility savings of \$0.200 million realized in 2007 will continue in 2008 and they are included in the 2008 Recommended Budget.
- The remaining 2007 cost containment measures (hiring freeze, reductions in non-salary items and utility savings due to the reduced hours of operation in Civic Centres) have not been recommended to continue into 2008.

Section B: 2008 Operating Budget Overview**3-Year Operating Budget Overview**

- The 3-Year Operating Budget supports Facilities and Real Estate's commitment to work collaboratively and responsively with clients to advance City-wide priorities by protecting and maximizing the City's property assets in an innovative and fiscally sustainable manner.
- Facilities and Real Estate provide services in two main areas: Facilities Management and Real Estate Management. Therefore, the Program focuses on strategic priorities and directions that are structured along its service lines:
 - Facilities Management: Providing leadership and stewardship of the City's Facilities, consisting of over 1000 buildings and approximately 15.0 million square feet of public space, with a commitment to best practices incorporating environmental, social and economic principles including:
 - Managing facilities in accordance with prescribed use and service standards negotiated with the occupants to ensure adherence to federal, provincial and municipal technical and safety regulations.
 - Reducing energy and green house gas emissions to meet reduction targets established by City Council.
 - Diverting waste generated by City facilities to meet waste diversion targets established by City Council.
 - Real Estate Management: Providing realty services for the City of Toronto with its portfolio of over 5,400 properties and 26 million square feet of building space in order to:
 - Maximize lease revenues.
 - Identify properties for acquisition and disposal to ensure an optimal building portfolio that is focused on meeting the needs of City programs.
- In 2008, the Program will focus on developing and implementing the following initiatives:
 - Continue to develop and administrate the implementation of the City's Conservation and Demand Management Response Program under the terms of the Master Program Agreement with the Ontario Power Authority (OPA) executed in 2007.
 - Commence implementation of the Sustainable Energy Plan consisting of Toronto Energy Conservation Fund (\$42 million), Toronto Green Energy Fund (\$20 million), City Hall/Nathan Phillips Square energy and sustainability improvements (\$15 million), Expansion of the Deep Lake Water Cooling program to Police Headquarters and Union Station (\$7 million), Energy Retrofit Program Funding (\$8 million).

- Continue to implement the Business Integration Project (BIP) system including introduction of a new leasing data base application and upgrade and replacement of software for tracking and monitoring capital assets.
- Maximize the City's energy efficiency incentive funding received from other orders of government.
- Commence the Nathan Phillips Square redevelopment.
- Complete the Union Station revitalization project plan and funding assessment.
- The 2008 Recommended Operating Budget for Facilities and Real Estate is \$55.244 million. This is \$0.278 million (0.5%) over the Program's net target of \$54.966 million. The Recommended Operating Budget incorporates certain base expenditures and attempts to minimize their effects by recommending feasible reduction options (page 12-13).
- While the new and enhanced services recommended for the 2008 require 30.5 new staff positions, one of the reduction options recommends a decrease in the approved staffing complement of 6 positions. Therefore, the 2008 Recommended Operating Budget will add a total of 24.5 positions (15.5 permanent and 9 temporary) to the Program. The Division's staffing complement would thus increase from 773 to 797.5 approved positions.
- The 2008 Recommended Operating Base Budget includes minor changes to the building maintenance and security service levels provided in 2007. The recommended funding by service is as follows:
 - \$112.959 million gross, \$68.012 million net for the Facilities Management service (Facilities Maintenance, Custodial Care, Security and Safety, Energy Management)
 - \$14.200 million gross, \$ (12.767) million net for Real Estate Management service (Lease Management, Property Acquisition/Disposal, Property Appraisals, Real Estate Portfolio Management).
- In addition to the above, the 2008 Recommended Operating Budget provides funding for enhanced and new service priorities (\$4.166 million gross, \$0 net). All of these pertain to Facilities Management, resulting in a total cost for this service of \$117.125 million gross, \$68.012 million net:
 - Facilities Custodial Care - additional custodial and care taking services (2.5 positions) will be provided to Toronto Police Service and Court Services - another 5,000 square feet will be added to floor space at cost of \$0.143 million gross, \$0 net.
 - Facilities Security and Safety – 17 additional security positions will be added to the Corporate Security Staff complement to provide security and safety services to Toronto Water (15 positions) and Union Station (2 positions) at cost of \$0.156 million gross, \$0 net.
 - Facilities Energy Management – the Energy Efficiency Office will be expanded by adding 8 staff positions (\$0.903 million gross, \$0 net) to provide a framework for the City of Toronto Conservation and Demand response portfolio to achieve 90 MW of demand reduction and to provide financial portfolio management in support of the

Sustainable Energy Plan.

- Facilities Maintenance – a new three staff position unit (Union Station Implementation) will be added to the Design, Construction and Preservation Unit (DCAP) to manage design and construction risk associated with the Union Station Revitalization project at a cost of \$0.410 million gross, to be recovered from lease revenues generated at Union Station and held in the Union Station Reserve Fund.
- In 2009 and 2010, the Program will continue to face growing base pressures including rising salary and other costs. For 2009 alone, the Program anticipates an incremental pressure of \$3.529 million or 6.4% over the 2008 Recommended Operating Budget. A further incremental impact of \$1.115 million or 2.0% is expected in 2010.
- A major challenge for 2009 and beyond will be to maintain the 2008 service levels without further affecting the management and maintenance of the City's property asset portfolio as well as security, cleaning and other services provided at corporate buildings and at Special Events.

Challenges and Issues

As the following chart illustrates, there are a number of challenges that impact on Facilities and Real Estate's ability to deliver service that meets expectations of their clients.

Challenges	Plans	Strategies
Facilities Management		
Provide safe, clean, preventatively maintained facilities by addressing health and safety requirements and emphasizing value for money under financial constraints that clients are facing.	<ul style="list-style-type: none"> • Participate in the City's Facilities Governance Review. • Continue to ensure scheduled maintenance is performed and continue to respond to unscheduled maintenance issues throughout the City portfolio. • Implement the Facilities Management service delivery model and organizational structure pursuant to approval by City of Toronto Council. 	<ul style="list-style-type: none"> • Facilities & Real Estate continue to work based on the fully documented Service Level Agreements that are performance based and mutually established with respective clients.
Implement the City's Sustainable Energy Plan focusing on the greenhouse gas emissions reduction targets established by City Council (6% from the 1990 levels by 2012, 30% by 2020, and 80% by 2050).	<ul style="list-style-type: none"> • Develop partnership with other orders of government and other partners in the energy efficiency and climate change sectors and secure the resources necessary to deliver energy efficiency programs. • Develop a specific implementation framework and financing structures including establishment and use of revolving funds, criteria and policies for selection of individual energy retrofit projects, financial incentives, use of energy cost savings and other pertinent financial aspects. 	<ul style="list-style-type: none"> • Maximize energy efficiency in Toronto's buildings and infrastructure and demonstrate leadership through making City facilities models of sustainable energy use and generation • Lead in renewable and clean energy sources and develop local sources of energy generation and distribution. • Develop partnerships with building owners and managers, energy providers, businesses, communities and others. • Benchmark, monitor and report regularly progress in relation to targets. • Turn Toronto's sustainable energy measures into an economic advantage.

Challenges	Plans	Strategies
Ensure the diversion rates established by Council are met. (all divisions required to achieve an individual diversion rate of 60% by 2007 and 100% by 2010).	<ul style="list-style-type: none"> Coordinate waste management initiatives including ABCDs to assist in implementing waste diversion strategies to reach the diversion target by 2010. These strategies include educational and communications programs, and selecting suitable collection receptacles for waste and recyclables. Continue to improve the City's waste diversion of 63% achieved in 2006. 	<ul style="list-style-type: none"> Action orientated waste management strategies employed to address three key areas (reduce, reuse, recycle). Reduce (hazardous materials by using environmentally friendly parts and cleaners, paper by using e-reports and electronic database etc.). Reuse (scrap paper file folders, internal mail envelopes, print boxes, doors, window and frames in construction of office areas, retread tires and rebuild fleet parts, store used furniture for future use, return detergent pails to vendors for refilling etc.) Recycle (all paper products, cardboard and drink containers, laser toner and inkjet cartridges, batteries, antifreeze and oil etc.)
Real Estate Management		
Maximize leasing portfolio revenues.	<ul style="list-style-type: none"> An updated, online, and fully reconciled data base will ensure the City benefits from an optimal leasing portfolio where leases are reviewed and updated systematically. 	<ul style="list-style-type: none"> Continue the Real Estate Module implementation (Business Integration Project) in 2008. Continue a leasing portfolio business process review to update business practices and introduce automated system solutions.
Ensure that City facilities provide the best use for City Programs.	<ul style="list-style-type: none"> An updated, online building matrix will ensure the City benefits from an optimal building portfolio envelope emphasizing disposal of facilities that are no longer useful to the City and acquisition of facilities that provide good value for money. 	<ul style="list-style-type: none"> Continue to review the building portfolio mix and respond to the need to acquire and dispose of City properties.

Strategic Priorities

The 2008 Recommended Operating Budget for Facilities and Real Estate directly addresses, through a number of new/enhanced initiatives, the following important strategic priorities outlined in Council's policy agenda:

- Develop a comprehensive climate change plan to cut greenhouse gas emissions to help combat global warming***

Facilities and Real Estate, through the Energy Efficiency Office (EEO), will continue to coordinate energy efficiency efforts across the City and assists other Programs to enable the City's participation in various provincial and federal initiatives concerning renewable energy, clean energy generation and energy conservation and demand projects. This is aligned with an overall objective of lowering energy consumption rates and reducing greenhouse emissions. Most importantly, the Energy Efficiency Office is responsible for the implementation of the Sustainable Energy Plan approved by Council as part of the "Climate Change, Clean Air and Sustainable Energy Plan: Moving from Framework to Action" report in July 2007. The 2008 Recommended Budget includes funding for the following new service priorities:

- Financial portfolio management in support of the Sustainable Energy Plan in the amount of \$0.238 million to ensure strict financial oversight and fulfill various reporting requirements of this important initiative.
- Administration and portfolio development of the City's Conservation and Demand Management Response Program in the amount of \$3.220 million to provide a framework for achieving 90 MW of electricity demand reduction and to promote cooperation among various entities delivering programs, consistent with the City's Agreement with the Ontario Power Authority to reduce future power generation demand in the City of Toronto.

Section C: 2008 Recommended Base Budget

Table 3: 2008 Recommended Base Budget

(In \$000s)	2007 Approved Budget	2008 Recommended Base	Change 2008 Recommended Base vs. 2007 Approved Budget		FY Incremental Outlook	
	\$	\$	\$	%	2009	2010
					\$	\$
GROSS EXP.	124,536.0	127,159.5	2,623.5	2.1	3,062.6	1,115.5
REVENUE	69,569.8	71,915.7	2,345.9	3.4	(466.4)	0.0
NET EXP.	54,966.2	55,243.8	277.6	0.5	3,529.1	1,115.5
Approved Positions	773.0	767.0	(6.0)	(0.8)		
NET TARGET		54,966.2			0.0	0.0
\$ Over / (Under) Program Target		277.6			3,529.1	1,115.5
% Over / (Under) Program Target		0.5%			6.4%	2.0%

2008 Recommended Base Budget

- The 2008 Recommended Base Budget of \$55.244 million net represents a \$0.278 million (0.5%) increase over the Facilities and Real Estate's 2007 Approved Budget. The 2008 Recommended Base Budget will not maintain service levels offered in 2007. A minor service impact in the area of property maintenance and security at some City locations is expected as a result of recommended reduction options.
- Cost-of-living adjustments (COLA) that average 2.44% for 2008 are non-discretionary costs that comprise \$1.623 million or 25% of the recommended gross expenditure increase of \$6.690 million. On-going merit and other non-salary inflationary factors account for further \$2.120 million or 32% of the recommended gross expenditure increase.
- In total, budgeted revenue is \$4.002 million or 5.8% greater than in 2007. The 2007 Recommended Base Budget also includes various efficiencies, generating additional savings of \$2.032 million.
- The 2008 Recommended Base Budget results in 767 approved positions. This is a reduction of 6 staff positions, compared to the staff complement level of 773 positions in 2007.

2008 Key Cost Drivers and Reduction Strategies

- The additional \$6.690 million in gross expenditures or 5.4% is needed to fund merit and step increases, cost-of-living adjustments, wage increases for exempt staff and non-salary economic factors (\$3.743 million), incremental impact of prior year Council approvals (\$0.036 million) as well as other base budget changes (\$2.911 million) to account for higher premiums

for workers' safety, higher maintenance and security costs at some locations and increases in other expenditures required to provide additional client services.

- The above costs are offset by the following reduction and service adjustments:
 - \$1.396 million in utility cost savings resulting from previously implemented energy efficiency measures, including the Deep Lake Water Cooling (DLWC) technology at Metro Hall.
 - \$0.293 million in reduced lease costs paid to external landlords due to space consolidation efforts.
 - \$0.344 million in salary adjustments to account for actual ongoing step and merit increases, which were lower than initially estimated.
 - \$2.582 million in additional recoveries from clients wanting expanded/increased service levels.
 - \$1.420 million in projected revenue increases from new and existing leases currently under negotiation which will result in new rental agreements that are more reflective of true market rates.
- To further alleviate the base budget pressures and bring the Program closer to the target, the 2008 Recommended Base Budget includes minor changes to existing service levels which will generate additional savings of \$0.379 million. The recommended measures include a reduction of 6 permanent positions which will result in lower security and building maintenance levels at City Hall and North York Civic Centre.

2009 and 2010 Outlook: Net Incremental Impact

The 2009 and 2010 Outlook base budget net increase of \$3.529 million or 6.4% and \$1.115 million or 2.0% respectively includes the following:

- For 2009, preliminary merit and step increases and reversal of an additional day included in 2008. The Outlook for 2009 does not include a provision for 2009 cost of living allowance (COLA), as the increase is subject to future negotiations.
- For 2010, ongoing merit and step increases. Similarly, the Outlook for 2010 does not include a provision for COLA, as the increase is subject to future negotiations.

The 2009 and 2010 Outlook will be further reviewed to identify potential service level gaps as well as service level adjustments required to meet future year targets.

Section D: 2008 Recommended Service Priorities

Table 4: Summary of 2008 New / Enhanced Service Priorities (In \$000s)

Priority	Description	2008 Recommended		Rec. New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.		2009	2010
		\$	\$	#	\$	\$
(a) Enhanced Service Priorities - Council Approved:						
(b) Enhanced Service Priorities - Program Initiated:						
Security Positions for Union Station	155.7	0.0	2.0			
Security Positions for Toronto Water	0.0	0.0	15.0			
Custodial Services for Various Clients at New Locations	142.9	0.0	2.5			
Union Station Revitalization Implementation	410.0	0.0	3.0			
Sub-Total Enhanced Service Priorities	708.6	0.0	22.5	0.0	0.0	
(a) New Service Priorities - Council Approved:						
Conservation and Demand Response Management: Portfolio Development	3,220.0	0.0	6.0			
Sustainable Energy Plan - Financial Portfolio Management	237.6	0.0	2.0			
(b) New Service Priorities - Program Initiated:						
Sub-Total New Service Priorities	3,457.6	0.0	8.0	0.0	0.0	
Total Recommended New / Enhanced Service Priorities	4,166.2	0.0	30.5	0.0	0.0	

Recommended Enhanced Service Priorities – Program Initiated:

There are four recommended enhanced service priorities, based on full cost recovery, resulting in a \$0 net impact.

Security Positions for Union Station (\$0.156 million gross, \$0 net)

Two additional permanent staff positions are required to provide security at Union Station: 1 Supervisor for operational security and 1 Supervisor for capital security. These positions are necessary to fulfill the project management duties detailed in the Transit-Secure funding agreement and they will be both funded by the Federal Government. This service priority will result in higher overall security management and coordination at Union Station and will also provide additional protection of the facility and the public.

Security Positions for Toronto Water Security (\$0 gross, \$0 net)

An addition of 15 permanent staff positions to Corporate Security is recommended to provide safety and security services to Toronto Water. Currently these positions are temporarily filled positions with funding provided from interdepartmental recoveries from Toronto Water. They are needed on a permanent basis in order to upgrade the overall security at Toronto Water facilities. Without adequate security staffing, there exists a distinct potential for increased criminal activity, resulting in risk to the safety and security of the general public, employees, the City's facilities and potentially the water supply. All positions would be added to the existing complement at no additional cost, resulting in a \$0 net impact.

Custodial Services for Various Clients at New Locations (\$0.143 million gross, \$0 net)

An additional 2.5 permanent staff positions are required to provide custodial and caretaking services for Court Services and Toronto Police Service (TPS), at a cost of \$0.143 million in 2008:

- Court Services - a new court program will be opened on the 3rd floor of Metro Hall in 2008 requiring the addition of a 0.5 full-time employee.
- Toronto Police Service – space for 54 Division will be increased by almost 5,000 square feet and another section of the building reopened for 23 Division, requiring the addition of a 0.5 full-time cleaning employee for each of these two locations.
- Toronto Police Service - Traffic Services - increased Traffic Services mechanical duties require an additional 1.0 full-time cleaning employee to maintain their facility.

The service will be provided on a cost recovery basis and will result in a \$0 net cost to Facilities and Real Estate.

Union Station Revitalization Implementation (\$0.410 million gross, \$0 net)

In December 2007, City Council adopted both the “Union Station Revitalization Recommended Approach” and the related Supplementary Implementation Reports. Construction risk was identified therein as significant. Complex design, construction, environmental, technical and legal issues of Union Station require full time professional planning and oversight attention for their successful execution. Presently, there is neither such focused expertise in Facilities and Real Estate, nor in the City.

A dedicated team of professionals will be key to managing design and construction risk and protecting City interests. This team will be used to act as an interface between the City and the design and construction leads to ensure on time and on budget delivery. It will ensure the City's active participation through the schematic design, construction, coordination, planning and estimate affirmation phase throughout 2008 to produce, justify and confirm the Union Station construction plan and contract/project management model to be recommended in September 2008 to Committees and Council in a report back from the Chief Corporate Officer.

The incorporation of such expertise with the Design, Construction and Asset Preservation (DCAP) section of the Facilities and Real Estate Division provides a good match with its existing role and mandate. It is, therefore, recommended to establish a new, temporary three person business unit named “Union Station Implementation” in DCAP. The unit will be comprised of 1 Senior Manager

(Design and Construction) and 2 Managers (Manager, Design, and Manager, Construction) at a cost of \$0.410 million in 2008 (with an incremental impact of \$0.140 million gross, \$0 net in 2009). These positions will be funded from lease revenues generated at Union Station (held in the Union Station Reserve Fund – XR2501), for a \$0 net impact corporately.

Thereafter, annualized salaries of \$0.550 million will be funded from the approved Capital Budget for Union Station Revitalization if the project implementation is approved. It should be, however, noted that these positions will be required regardless of the Union Station Revitalization approach recommended later in 2008.

Recommended New Service Priorities – Council Approved:

There are two recommended enhanced service priorities, both based on cost recovery, resulting in a \$0 net impact.

Conservation and Demand Management Response: Portfolio Development (\$3.220 million gross, \$0 net)

The City of Toronto Conservation and Demand Management Response portfolio provides a framework to achieve 90 MW of demand reduction. The portfolio is designed to promote cooperation among the various entities delivering programs on behalf of the Ontario Power Authority (OPA).

The objectives of the City's Conservation and Demand Response program are to:

- Achieve 90 MW of demand reduction in Toronto by December 31, 2010.
- Deliver a portfolio of conservation and demand response measures that are Total Resource Cost (TRC) positive.
- Foster cooperation and promote conservation and demand response goals in Toronto with other program administrators.
- Prevent rotating brownouts across the City of Toronto.
- Reduce carbon dioxide emissions and smog.
- Bring new revenues to the City and create a positive impact on the City's overall budget portfolio.
- Contribute to the culture of conservation by increasing awareness of the link between taking conservation action and a corresponding reduction in energy bills.

In order to achieve these objectives, 6 temporary staff positions are required: 3 senior engineers and 3 senior energy consultants, at a cost of \$0.665 million. In addition, outside consulting work will be needed for portfolio development and implementation, validation and auditing, performance monitoring, legal administration, marketing, training and demand response work of \$2.300 million. Materials and supplies in the amount of \$0.178 million are also included. All associated costs, for a

total of \$3.220 million, will be fully funded by the Ontario Power Authority, under the agreement between OPA and the City of Toronto.

Sustainable Energy Plan – Financial Portfolio Management (\$0.238 million gross, \$0 net)

Facilities and Real Estate, through the Energy Efficiency Office (EEO) are responsible for the implementation of the Sustainable Energy Plan approved by Council as part of the “Climate Change, Clean Air and Sustainable Energy Plan: Moving from Framework to Action” report in July 2007.

The Sustainable Energy Plan is comprised of four initiatives in the amount of \$84 million which were added to the Program’s capital budget. Facilities and Real Estate do not currently have a Senior Budget Analyst position to provide expertise concerning capital project development, evaluation, monitoring and controlling, financial reporting, procurement, and contract management. The City’s endorsement of a major multi-million dollar program requires dedicated financial management to ensure value for money, integrity in spending, and compliance to a host of reporting requirements and procedural business processes.

In order to ensure adequate control over the portfolio, two permanent Senior Budget Analyst positions at a cost of \$0.238 million are required to provide support to project managers and fulfill reporting requirements arising as a result of the additional projects. Strict financial oversight is necessary to ensure program funding criteria is adhered to, loans are set up and reserve funds are managed. In all cases, a comprehensive audit trail must be established. Both positions will be funded by the OPA.

Section E: Issues for Discussion**2008 Operating Budget Issues*****Challenges and Issues***

Facilities and Real Estate will continue to evaluate strategies, programs and service priorities that promote the latest building maintenance standards, including green initiatives that lower energy consumption rates and contribute to the reduction of greenhouse emissions. However, providing safe, clean, preventatively maintained facilities under financial constraints that clients are facing remains a significant challenge in 2008.

Additional Revenue from Special Events

The Program currently absorbs some clean-up costs within its operating budget to service special events at City Hall, Etobicoke Civic Centre and North York Civic Centre. With numerous special events almost every weekend throughout the year, and on many weekdays from June to October, a significant work effort is required to provide clean-up after the events in order to avoid potential health concerns and negative public perception due to deterioration of garbage and washroom conditions. For example, the Toronto Jazz Festival (7 days, late June to July 1 weekend) requires about 160 overtime hours of heavy-duty cleaning due to the fact that it attracts thousand of visitors to Nathan Phillips Square.

It is recommended that Facilities and Real Estate establish clear criteria for recovery from special events at Nathan Phillips Square and to examine the possibility of generating up to \$0.100 million in revenue from various event organizers to offset additional cleaning expenses at such events.

The 2008 events will be reviewed to assess revenue potential, especially in the case of big commercial events and or any other organizers who charge for admission, sell alcohol or attract high numbers of visitors that require extra cleaning efforts.

Appendix 1

Summary of Recommended Base Budget Changes From 2007 Approved Budget

(In \$000s)	Summary of 2008 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2009	2010
		\$	\$	\$	\$	\$
2007 Council Approved Operating Budget	774.0	122,421.0	68,476.8	53,944.2	0.0	0.0
In-year approvals and technical adjustments	(1.0)	1,093.0	1,093.0	0.0		
Corporate adjustments		1,022.0		1,022.0		
2007 Approved Operating Budget	773.0	124,536.0	69,569.8	54,966.2	0.0	0.0
Prior year impacts		36.1		36.1		
Zero base items		(1,233.2)	(1,233.2)	0.0		
Economic factors		3,743.0	0.0	3,743.0	3,529.1	1,115.5
Adjusted Base Budget	773.0	127,081.9	68,336.6	58,745.3	3,529.1	1,115.5
Other base changes		167.0		167.0		
Base revenue changes		2,400.6	3,401.7	(1,001.1)		
Recommended Service Level Adjustments:						
Service efficiencies		(2,111.1)	(422.6)	(1,688.5)		
Revenue adjustments			600.0	(600.0)		
Minor service impact	(6.0)	(378.9)		(378.9)		
Major service impact				0.0		
Total Recommended Base Adjustments	(6.0)	77.6	3,579.1	(3,501.5)	0.0	0.0
2008 Recommended Base Budget	767.0	127,159.5	71,915.7	55,243.8	3,529.1	1,115.5
2008 Program Operating Target	N/A	N/A	N/A	54,966.2	0.0	0.0
% Over (Under) Program Target				0.5%		
% Over (Under) 2007 Appvd. Budget				0.5%		

Appendix 2
Summary of Service Level Adjustments

Appendix 3

Summary of 2008 Recommended New / Enhanced Service Priorities

Appendix 4

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Balance as of December 2007 \$	Recommended Withdrawals (-) / Contributions (+)		
			2007	2008	2009
			\$	\$	\$
Vehicle and Equipment Replacement	XQ0003		396.0	404.2	
Insurance Reserve Fund	XQ1010		545.6	545.6	
Land Acquisition Reserve Fund	XR1012		(391.0)	(654.0)	
Beter Building New Construction	XR1052		(215.0)	(113.0)	
Toronto Energy Plan	XR1052		(250.0)	(335.0)	
Union Station Reserve Fund	XR2501		(683.0)	(1,110.0)	
Total Reserve / Reserve Fund Draws / Contributions		0.0	(597.4)	(1,262.2)	0.0