

# City of Toronto

## 2006 BAC Recommended Operating Budget

March 29, 2006

# Presentation Outline

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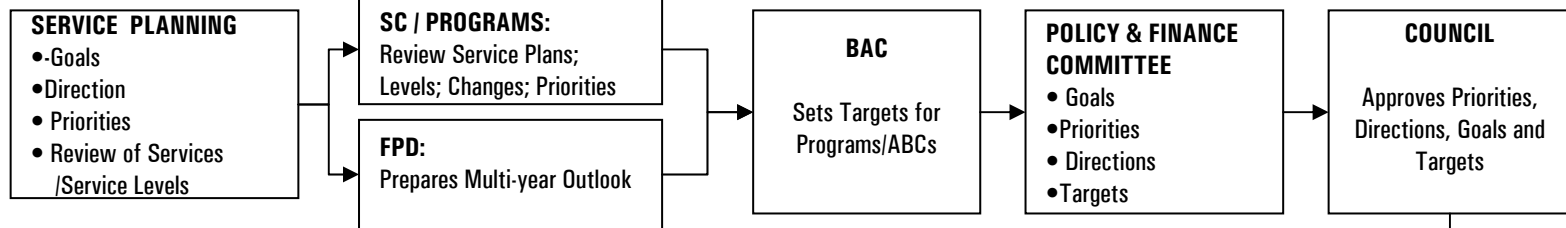
- 1 Budget Cycle, Principles and Council Priorities
- 2 Fiscal Challenges and Strategies
- 3 Operating Budget
- 4 2006 Budget & Beyond - New Deal

# **Budget Process, Principles and Council Priorities**

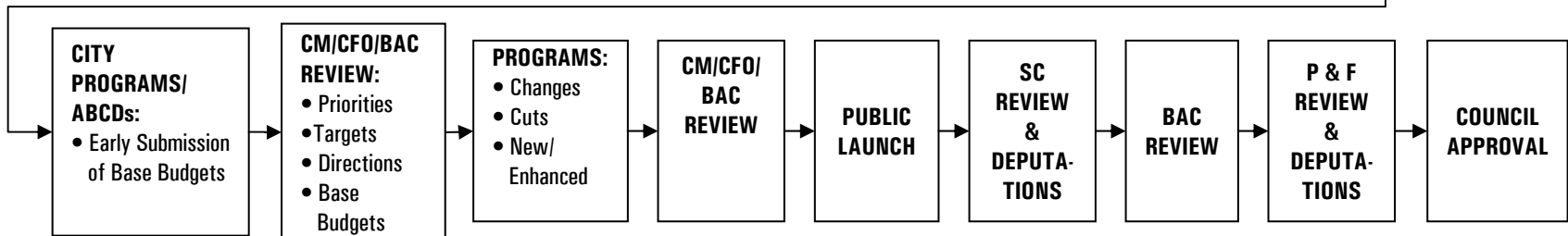
# 2006 Operating Budget Process

## PUBLIC CONSULTATION

### SERVICE PLANNING



### OPERATING BUDGET



# 2006 Council Approved Budget Directions

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- Find service efficiencies in the administrative and reporting requirements for Provincial cost-shared programs
- Get Province to meet its legislated obligation to fully cost-share downloaded social programs
- Consider further draws from related cost-shared program reserves to mitigate pressures on property tax base
- Use 2006 Provincial Gas Tax to fund TTC operating budget
- Expand continuous improvement and efficiency initiatives to include service reviews and rationalization
- Set user fees to recover the full cost of the services while ensuring that the most vulnerable are protected
- Increase user fees by the rate of inflation
- Protect services that are aligned to Council's highest priorities

# Council Approved Priorities

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- Council Priorities for the 2003-2006 term are as follows:
  - 1 Make Toronto a Clean and Beautiful City
  - 2 Make Progress on the Waterfront
  - 3 Improve the Business Climate
  - 4 Improve Public Services
  - 5 Strengthen Our Neighbourhoods
  - 6 Improve the Planning Process
  - 7 Get the Powers and Funding Needed for Toronto to Succeed (New Deal)
  - 8 Ensure Housing is Affordable
  - 9 Increase Public Involvement in Civic Affairs

# 2006 Priorities for City Building

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## **Approved Initiatives:**

- Clean & Beautiful Initiative
- 3-1-1 Initiative/Secretariat
- Waterfront Initiative
- Environmental Plan

## **New Initiatives:**

- Vulnerable / At Risk Neighbourhoods
- Year of Creativity – Live with Culture

## **Sectoral Strategies – Core Programs:**

- Transit – Ridership Growth Strategy
- Solid Waste Management – 2010 Plan

# Fiscal Challenges and Strategies



# Ongoing Fiscal Challenges

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- Inflationary increases and wage settlements
- Annualized cost of new initiatives approved by Council
- Increased demand for services to meet population growth
- Increasing reliance on debt to finance capital projects
- Structural Deficit Problem:
  - Uncertain Provincial funding, year after year
  - Provincial capping of cost-shared programs
  - Growing proportion of property tax revenues diverted to cost-shared programs with provincial funding significantly below 80/20 or 50/50 formula

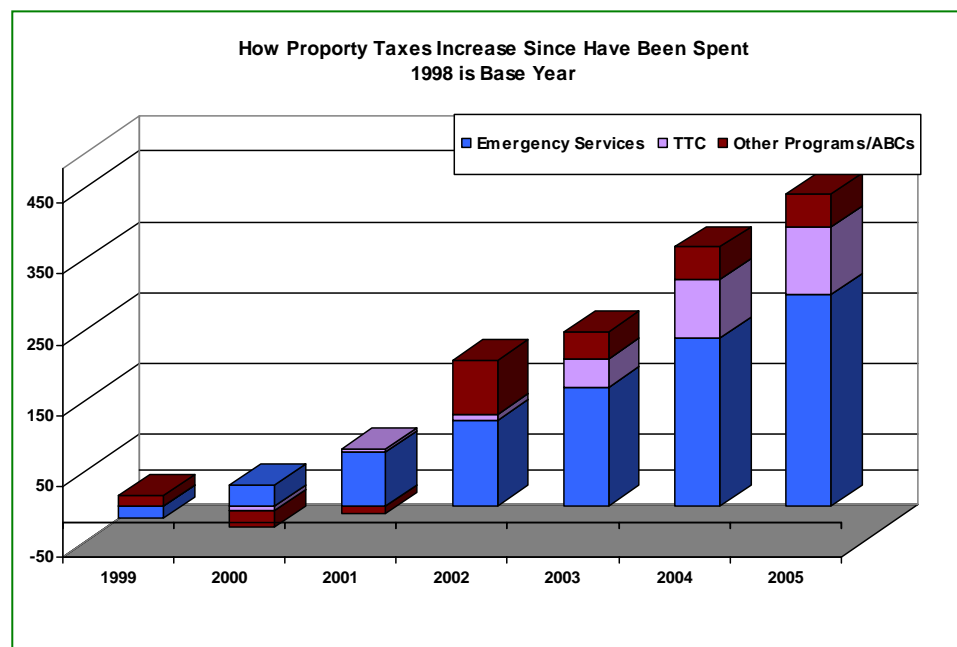
# Ongoing Fiscal Challenges (continued)

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- Very difficult to eliminate whole services
- Need to remain economically attractive to business
- Must remain affordable City for residents
- As with previous years need to find further savings and efficiencies
- New City of Toronto Act will not solve structural financial problem
  - No revenues in 2006 from the new City of Toronto Act
  - Act not expected until late spring, 2006
- City/Province together will need to resolve 2006 issues
- Strategies needed for permanent fix
- Province must upload provincial programs - paying for them through the income tax, not the property tax
- Need revenues that grow with the economy

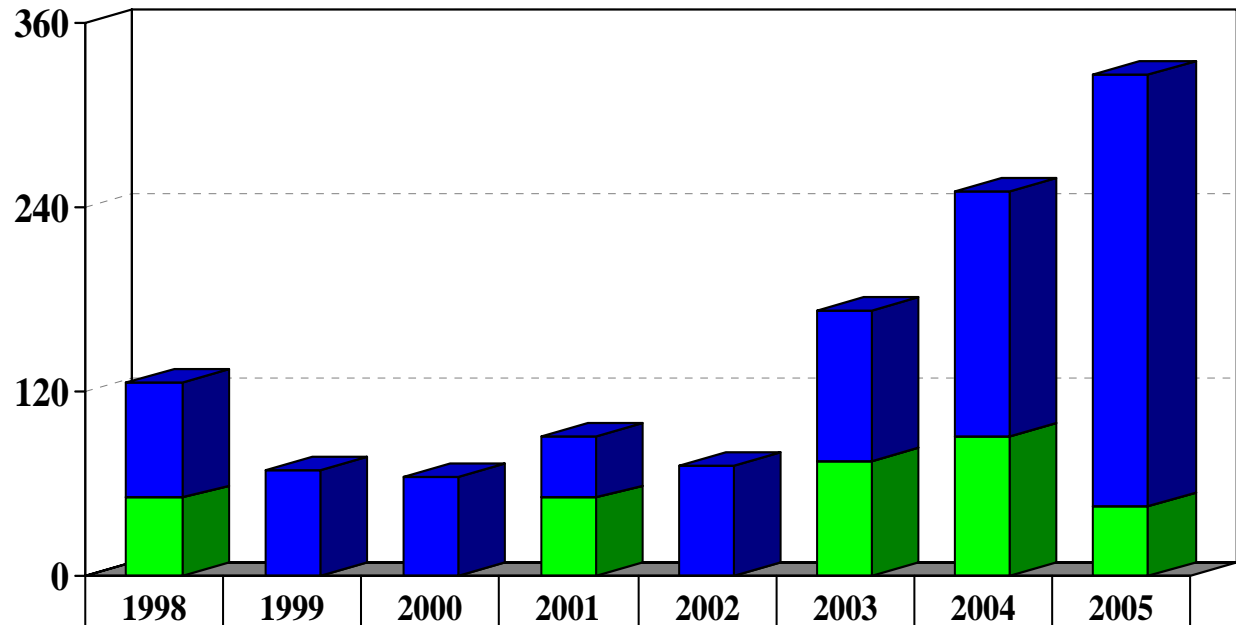
# Since 1999, Disproportionate Portion of Tax Levy Increase Used to Fund Emergency Services and TTC

- Net Expenditure increase for Emergency Services (Police, Fire & EMS) and TTC outpaced Property Tax increase between 1998 and 2005 (See Chart below):
  - Emergency Services increased by 38%, TTC increased by 51%
  - Property Tax Levy increased by only 17%
- Of the \$441 million 2005 Property Tax increase between 1998 and 2005, \$394 million or 89% was used to fund Emergency Services and TTC increases
- Growing demands for Emergency Services and TTC have limited funding for City Programs



# One-Time Operating Revenues Create Growing Pressures

■ Provincial Funding   ■ One-Time Internal Funding



■ One-Time Internal Funding	75	69	64	41	72	99	161	282
■ Provincial Funding	50	0	0	50	0	74	90	45

*Note: Provincial loans were received as follows: \$100 million in 1998 (\$69 million to Operating Budget) and \$100 million in 1999*

# How the City Performs

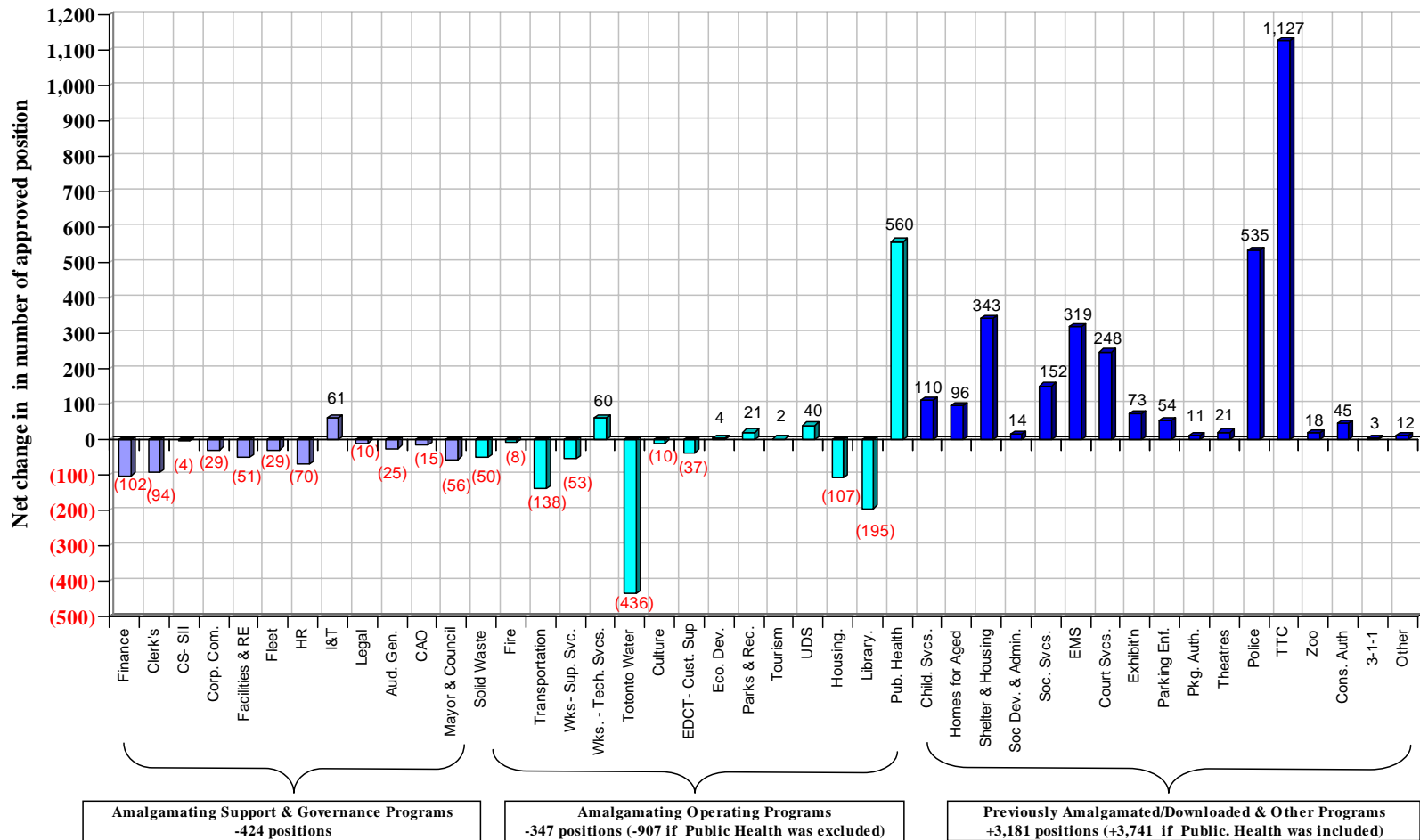
# How Has the City Been Controlling Costs

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- Tracking staffing levels and controlling staff growth
  - Tracking staffing changes by program since inception of new City in 1998
  - Business case to justify requests for additional staff
  - New Staff driven by Police, TTC and cost shared programs
- Examining performance of City programs
  - Internal comparison on a year-over-year basis
  - External comparison to other Ontario municipalities
- Found \$160 million in expenditure reductions &/or revenue increases from 2006 Budget Request

# Staffing Growth Controlled

Net Change in Number of Approved Positions by Program  
 Grouped by Programs Subject to Amalgamation and not Subject to Amalgamation  
 From Inception of New City - 1998 through 2005 (Net Increase of 2,410 Positions)



# 86% of Approved Position Increase in 2006 Attributed to ABCs

Program / ABCs	2005 Approved Positions	2006 BAC Recommended	Change from 2005	% of Total Change
Citizen Centred Services "A"	11,508.5	11,612.5	104.0	12%
Citizen Centred Services "B"	7,491.3	7,510.1	18.8	2%
Internal Services & Other City Programs	3,418.8	3,416.8	(2.0)	0%
<b>Total City Operations</b>	<b>22,418.6</b>	<b>22,539.4</b>	<b>120.8</b>	<b>14%</b>
<b>Agencies, Boards and Commissions:</b>				
- Toronto Public Health	1,848.5	2,112.0	263.5	31%
- Toronto Transit Commission	9,719.0	9,921.0	202.0	24%
- Toronto Police Services	7,373.0	7,572.0	199.0	24%
- Other ABCs	3,717.6	3,770.5	52.9	6%
<b>Total Agencies, Boards and Commissions</b>	<b>22,658.1</b>	<b>23,375.5</b>	<b>717.4</b>	<b>86%</b>
<b>Total Levy Operations</b>	<b>45,076.7</b>	<b>45,914.9</b>	<b>838.2</b>	<b>100%</b>



# 2006 – A Transitional Budget

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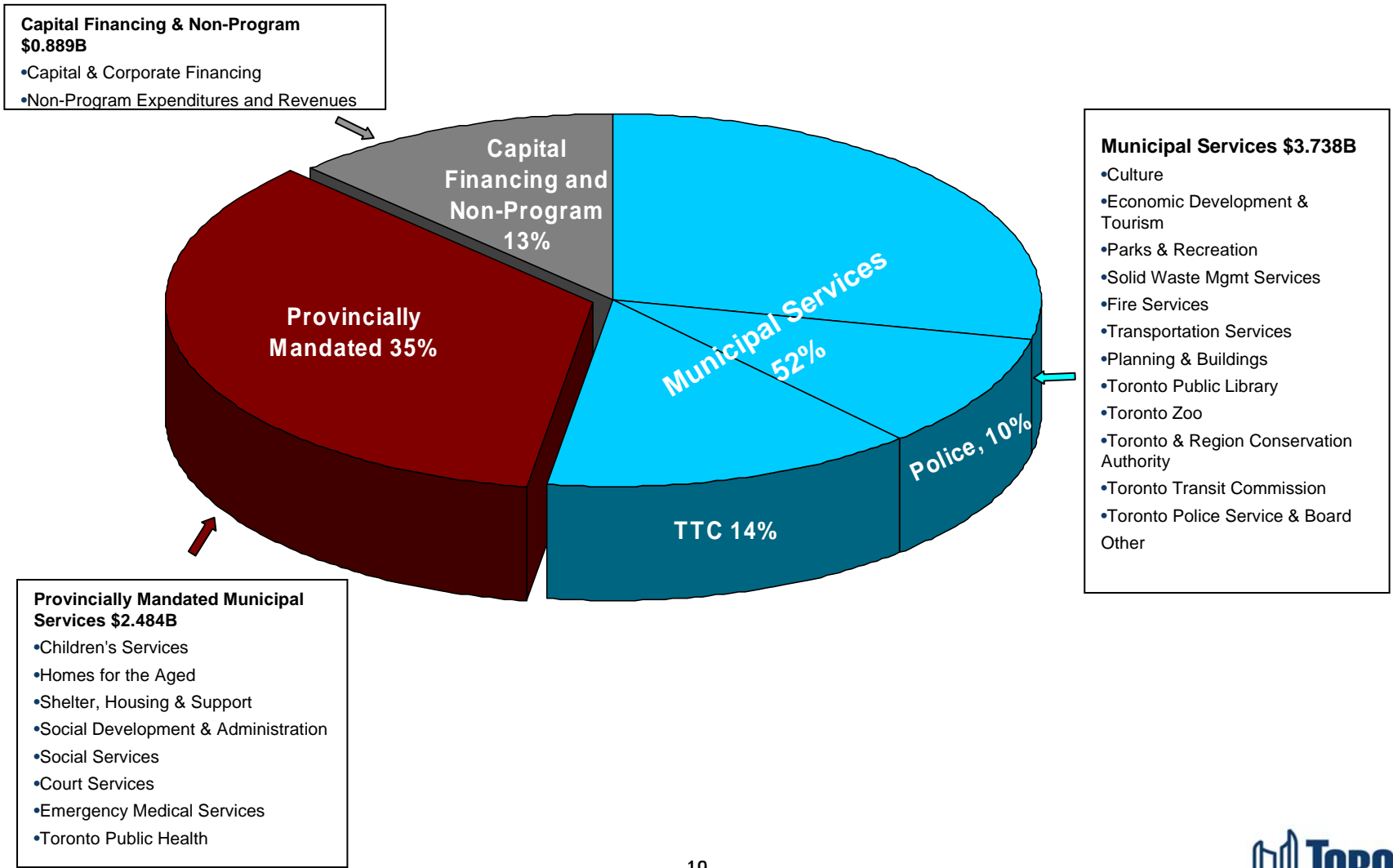
- The City has committed to a fiscally responsible budget and has set targets: 2% for 2006, 0% for 2007 and 2008:
  - 68% of City Programs and the majority of ABCs achieved the 2006 targets
  - Strategic investment in our future – leveraging through partnerships
  - Getting to 0% in 2007 and 2008 will require stringent measures including program reviews, continuous improvement and efficiencies
- 2006 Budget begins to address Fiscal Imbalance with the Province committing to take back its responsibilities based on a multi-year plan:
  - Gas Tax now usable for operating and capital
  - \$200 million for Transit Operations for 2006 and 2007 moves to 50-50 funding
  - New funding for social services
  - Health and EMS enhanced cost sharing
- The Province has recognized that it must work with the City to find a solution to our long term fiscal imbalance

# 2006 BAC Recommended Operating Budget

# 2005 Operating Budget - Key Service Drivers

(Levy Operations Gross Expenditures \$7.111 Billion)

2006 Operating Budget



# 2005 Unsustainable Funding Sources Caused \$439 Million Pressure in 2006

\$Millions

## Provincial Responsibilities:

- Provincial Loan Deferral	20
- Special Provincial Transfer	45
- Gas Tax Revenues for Operating	92
	<hr/>
	157

## City / Toronto Hydro One Time Funding:

- Interest Income -- Hydro Note for Operating	67
- Hydro Dividends -- for Operating	38
- Special Dividends -- for Operating	30
- Sale of City Lighting Assets	60
- Reserve Draws	87
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	282

<b>Total 2005 Unsustainable / One-time Funding</b>	<b>439</b>
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# Starting 2006 Operating Pressure Total \$759 Million

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\$Millions

**2005 One-time Funding Pressures** **439**

**2006 Operating Impacts:**

- Debt Service Cost	44	
- Cost of Living Allowance	90	
- Inflation on Materials, Supplies and Services	81	
- Annualizations and Other	105	320
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**Starting 2006 Pressure** **759**

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# Administrative Review Reduced 2006 Operating Pressure to \$532 Million

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**\$Millions**

<b>Starting Pressure</b>	759
<b>Adjustments:</b>	
- Hydro Interest	(67)
- Hydro Dividends	(25)
- Gas Tax Revenues for Operating	(92)
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	575
Administrative Review - Service Efficiencies and Adjustments	(43)
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Remaining 2006 Pressure	532
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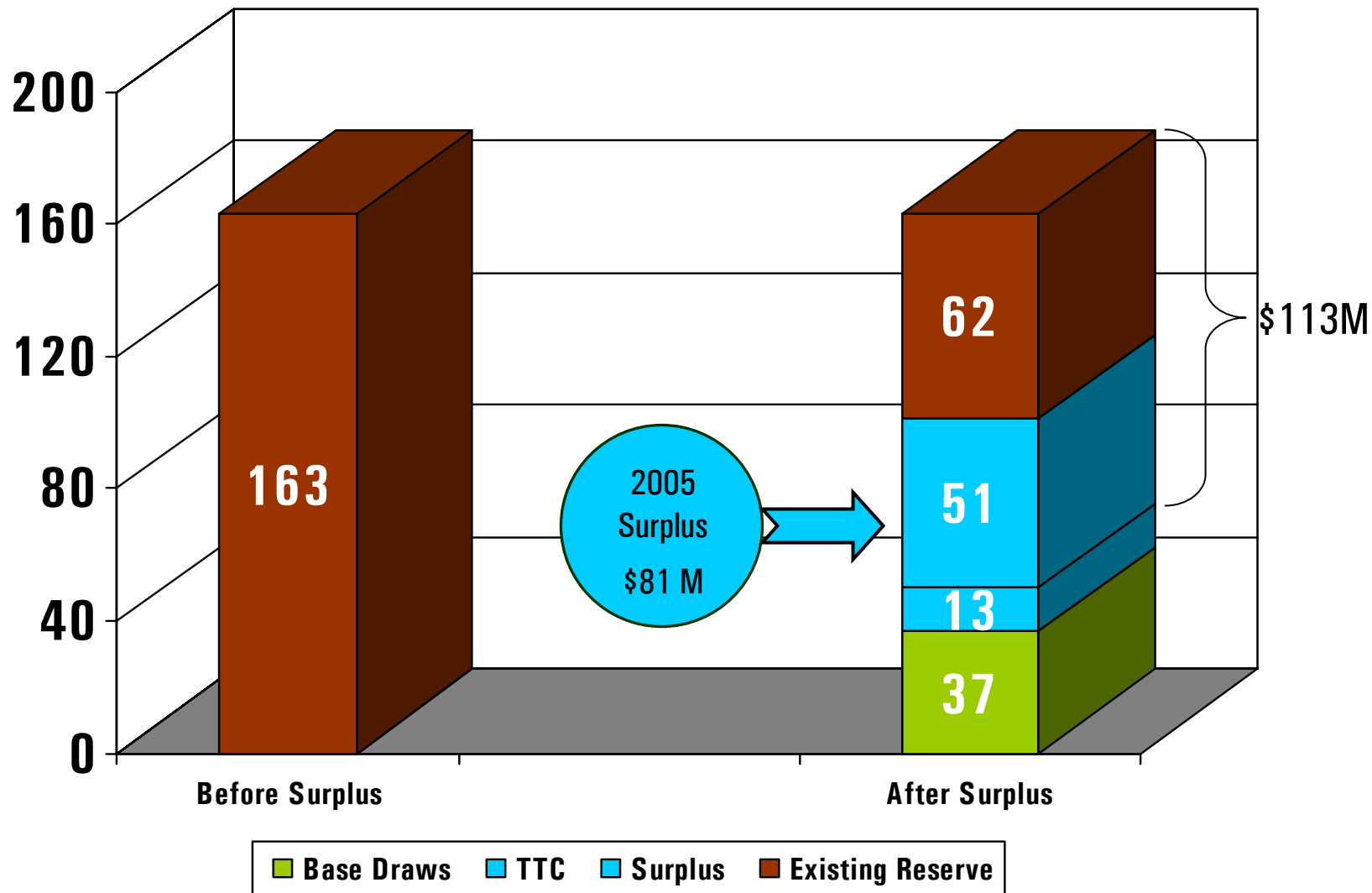
# Getting to a Balanced Budget

\$Millions

<b>Proposed Budget Pressure (Jan 4)</b>		532
Standing Committee Adjustments		7
<b>Standing Committee Rec'd Pressure</b>		<u>539</u>
<b>BAC Adjustments:</b>		
Base Budget	(119)	
New and Enhanced	(5)	(124)
<b>BAC Adjusted Pressure (February 13)</b>		<u>415</u>
<b>BAC Financial Decisions:</b>		
Additional Hydro Dividends	(21)	
Assessment Growth	(60)	
Additional Reserves	(113)	(194)
		<u>221</u>
<b>Provincial Responsibilities:</b>		
Loan Deferral	(20)	
TTC - subway operations	(100)	
Ontario Municipal Partnership Fund - Social Services	(35)	
EMS - land ambulance program	(10)	(165)
<b>Net Budget Shortfall</b>		<u>56</u>
<b>Additional City Policy Options:</b>		
Tax Increases (each 3% res \$37.1M, 1% non res \$18.5M)		(56)
<b>Net Pressure</b>		<u>0</u>

# 2005 Surplus Effectively Reduces 2006 Tax Increase

2006 Operating Budget





# 2006 Operating Budget Target

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- 2006 2% Base Budget Net Expenditure Target:
  - City Programs – 68% achieved target
  - ABCs – majority met target (TTC and Police above target)
  - Non-Program – increased revenues driven by the Province funding its responsibilities and additional reserve / reserve fund draws

# Investments in Our Future

	2006/5 Increase (\$M)	2006/5 %Increase
• Police	\$35.5	5.0%
• Fire	12.0	4.0
• Solid Waste	9.5	5.8
• Parks, Forestry and Recreation	8.1	4.0
• TTC	24.0	7.8

# 2006 BAC Recommended Operating Budget

## Net Expenditures

(\$000's)	2005 Approved Budget	2006 BAC Rec'd Total Budget		
		2006 Rec'd Budget	Change from 2005 Approved Budget	
			\$	%
Total City Operations	1,817,690.1	1,913,625.8	95,935.8	5.3%
Agencies, Boards and Commissions	1,235,322.9	1,293,109.0	57,786.2	4.7%
Community Partnership and Investment Program	38,862.1	40,174.9	1,312.8	3.4%
Capital & Corporate Financing	432,464.7	476,546.8	44,082.1	10.2%
Non Program	(507,856.7)	(591,628.3)	(83,771.6)	16.5%
Levy Operating Budget - Before Assessment Growth	3,016,483.0	3,131,828.3	115,345.3	3.8%
Assessment Growth -- 2006			(59,761.3)	
Tax Increase			(55,584.0)	
			(0.0)	

# Citizen Centred Services 'A' Pressure of \$66 Million Is Primarily Due to Provincial Capping

(\$000's)	2006 BAC Rec'd Total Budget			
	2005 Approved Budget	2006 Rec'd Budget	Change from 2005 Approved Budget	
			\$	%
<b><u>Citizen Centred Services "A"</u></b>				
Affordable Housing Office	1,393.1	1,414.0	20.9	1.5%
Children's Services	68,123.6	68,567.0	443.4	0.7%
Court Services	(9,034.4)	(9,544.0)	(509.6)	5.6%
Culture	8,952.0	10,666.1	1,714.1	19.1%
Customer & Business Support (Not Used)	0.0	0.0	0.0	n/a
Economic Development	7,923.5	7,851.6	(71.9)	(0.9%)
Emergency Medical Services	67,518.3	60,362.7	(7,155.6)	(10.6%)
Homes for the Aged	32,733.3	32,818.0	84.7	0.3%
Parks, Forestry & Recreation	203,508.0	211,686.2	8,178.2	4.0%
Shelter Support & Housing Administration	269,932.3	275,818.9	5,886.6	2.2%
Social Development Finance & Administration	20,342.4	21,299.3	956.9	4.7%
Social Services	221,059.8	277,426.3	56,366.5	25.5%
Tourism	5,436.6	5,235.6	(201.0)	(3.7%)
<b>Total Citizen Centred Services "A"</b>	<b>897,888.5</b>	<b>963,601.7</b>	<b>65,713.2</b>	<b>7.3%</b>

# Citizen Centred Services 'B' Includes Pressure of \$16 Million Primarily Attributed to Protection of Services

(\$000's)	2006 BAC Rec'd Total Budget			
	2005 Approved Budget	2006 Rec'd Budget	Change from 2005 Approved Budget	
			\$	%
<b>Citizen Centred Services "B"</b>				
Buildings	(11,607.4)	(11,546.7)	60.7	(0.5%)
Business Support Service	9,100.7	9,240.6	139.9	1.5%
City Planning	13,308.4	13,195.1	(113.3)	(0.9%)
Clean and Beautiful City Secretariat	326.5	317.3	(9.3)	(2.8%)
Fire Services	312,237.9	314,366.4	2,128.5	0.7%
Municipal Licensing & Standards	4,486.3	4,540.7	54.4	1.2%
Solid Waste Management Services	165,288.3	174,840.6	9,552.2	5.8%
Transportation Services	183,733.0	187,649.1	3,916.1	2.1%
Waterfront Secretariat	709.5	826.8	117.3	16.5%
WES - Support Services	0.0	0.0	0.0	n/a
WES - Technical Services	4,386.1	4,896.6	510.5	11.6%
<b>Total Citizen Centred Services "B"</b>	<b>681,969.3</b>	<b>698,326.4</b>	<b>16,357.1</b>	<b>2.4%</b>

# Overall, Internal Services Have Met The 2% Target

(\$000's)	2006 BAC Rec'd Total Budget			
	2005 Approved Budget	2006 Rec'd Budget	Change from 2005 Approved Budget	
			\$	%
<b><u>Internal Services</u></b>				
Office of the DCM and Chief Financial Officer	13,197.4	13,438.9	241.5	1.8%
Office of the Treasurer	30,325.5	30,862.3	536.8	1.8%
Corporate Communications	6,816.1	6,943.3	127.2	1.9%
Facilities & Real Estate	51,241.6	51,893.0	651.4	1.3%
Fleet Services	0.0	0.0	0.0	0.0%
Information & Technology	41,735.2	42,522.6	787.4	1.9%
Total Internal Services	143,315.9	145,660.2	2,344.3	1.6%

# Other City Programs – Pressure of \$12 million

(\$000's)	2006 BAC Rec'd Total Budget			
	2005 Approved Budget	2006 Rec'd Budget	Change from 2005 Approved Budget	
			\$	%
<b><u>Other City Programs</u></b>				
City Manager's Office	5,894.8	6,001.2	106.4	1.8%
Human Resources	26,377.7	27,810.0	1,432.3	5.4%
City Clerk's Office	19,907.2	28,954.4	9,047.2	45.4%
Legal Services	18,017.2	18,323.3	306.1	1.7%
Auditor General's Office*	3,566.4	3,880.4	314.0	8.8%
Office of the Mayor	1,855.8	1,888.2	32.4	1.7%
Council	18,514.5	18,791.1	276.6	1.5%
3-1-1 Project Management Office	382.9	389.1	6.2	1.6%
<b>Total Other City Programs</b>	<b>94,516.4</b>	<b>106,037.5</b>	<b>11,521.2</b>	<b>12.2%</b>

*\*Note that the Auditor General Office Budget is recommended by Audit Committee*

# ABCs – Pressure of \$58 million

(\$000's)	2006 BAC Rec'd Total Budget			
	2005 Approved Budget	2006 Rec'd Budget	Change from 2005 Approved Budget	
			\$	%
<b><u>Agencies, Boards and Commissions</u></b>				
Toronto Public Health*	70,754.1	63,925.9	(6,828.2)	(9.7%)
Toronto Public Library	140,448.6	144,691.1	4,242.5	3.0%
Association of Community Centers	5,726.0	5,849.2	123.2	2.2%
Exhibition Place	189.8	335.2	145.4	76.6%
Heritage Toronto	307.9	339.3	31.4	10.2%
Theatres	2,867.5	2,866.9	(0.6)	(0.0%)
Toronto Zoo	11,565.5	11,691.1	125.6	1.1%
Arena Boards of Management	261.5	119.9	(141.6)	(54.2%)
Yonge/Dundas Square	571.2	582.6	11.4	2.0%
Toronto & Region Conservation Authority	3,015.4	3,009.8	(5.6)	(0.2%)
Toronto Transit Commission - Conventional	228,480.0	246,306.5	17,826.5	7.8%
Toronto Transit Commission - Wheel-Trans	53,735.5	59,968.3	6,232.8	11.6%
Toronto Police Service	716,103.2	751,638.7	35,535.5	5.0%
Toronto Police Services Board	1,296.7	1,784.6	487.9	37.6%
<b>TOTAL</b>	<b>1,235,322.9</b>	<b>1,293,109.0</b>	<b>57,786.2</b>	<b>4.7%</b>



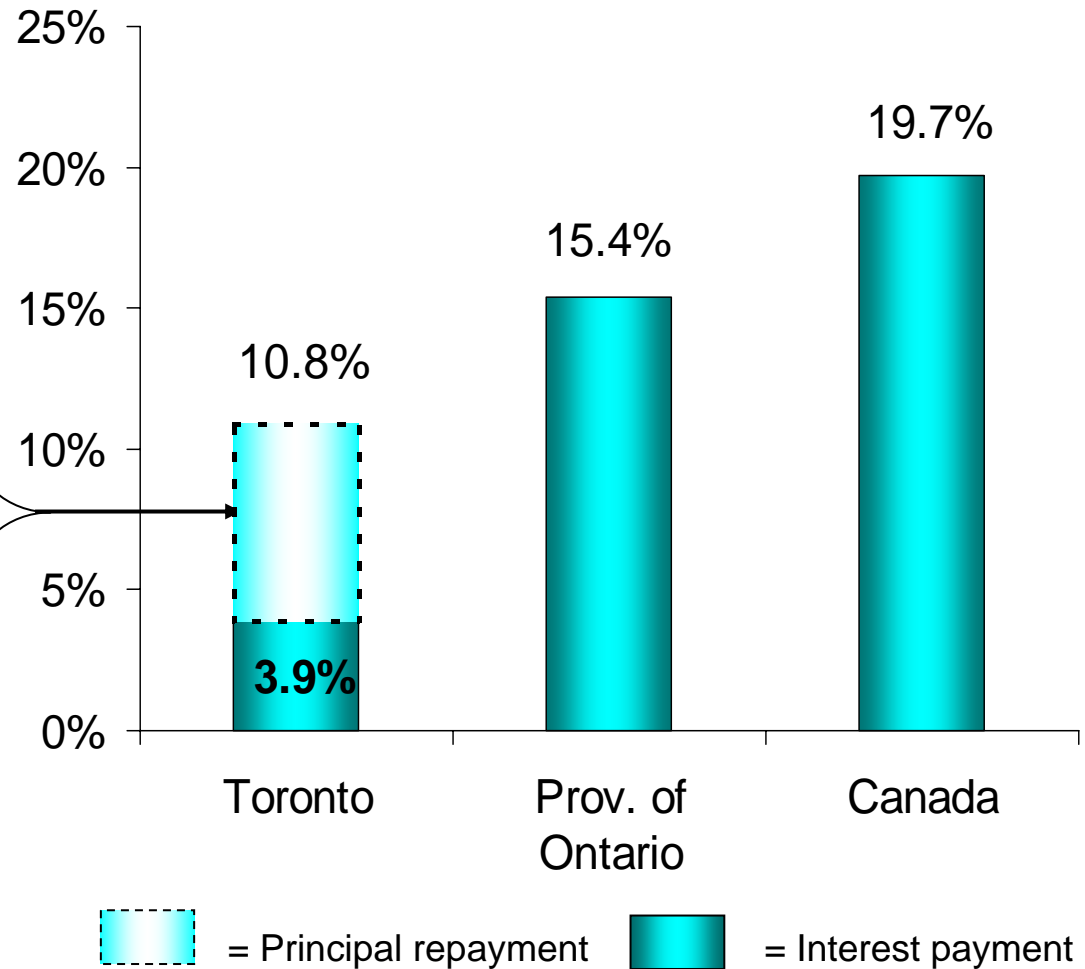
# Corporate Accounts – Non Program Revenues Have Increased

(\$000's)	2005 Approved Budget	2006 BAC Rec'd Total Budget		
		2006 Rec'd Budget	Change from 2005 Approved Budget	
			\$	%
<b>Community Partnership and Investment Program</b>	38,862.1	40,174.9	1,312.8	3.4%
<b>Capital &amp; Corporate Financing</b>	432,464.7	476,546.8	44,082.1	10.2%
<b>Non Program Expenditures</b>				
Tax Deficiencies	92,608.6	87,000.0	(5,608.6)	(6.1%)
Assessment Function (MPAC)	31,200.0	32,200.0	1,000.0	3.2%
Funding of Employee Related Liabilities	35,487.6	35,487.6	0.0	0.0%
Parking Tag Enforcement & Oper. Expenditures	41,809.3	42,602.8	793.5	1.9%
Other	31,619.5	52,730.0	21,110.5	66.8%
<b>Total Non Program Expenditures</b>	<b>232,725.0</b>	<b>250,020.4</b>	<b>17,295.4</b>	<b>7.4%</b>
<b>Non Program Revenues</b>				
Payments in Lieu of Taxes	(83,929.9)	(83,929.9)	0.0	0.0%
Tax Penalties	(26,500.0)	(25,500.0)	1,000.0	(3.8%)
Interest/Investment Earnings	(62,000.0)	(62,000.0)	0.0	0.0%
Toronto Hydro Revenues	(195,055.7)	(112,655.7)	82,400.0	(42.2%)
Provincial Revenue	(136,600.0)	(226,600.0)	(90,000.0)	65.9%
Parking Tag Enforcement & Oper. Revenues	(82,787.0)	(80,000.0)	2,787.0	(3.4%)
Additional Reserve/Reserve Fund Draws	0.0	(112,862.0)	(112,862.0)	n/a
Other	(153,709.1)	(138,101.1)	15,608.0	(10.2%)
<b>Total Non Program Revenues</b>	<b>(740,581.7)</b>	<b>(841,648.7)</b>	<b>(101,067.0)</b>	<b>13.6%</b>
<b>Total Corporate Accounts</b>	<b>(36,529.9)</b>	<b>(74,906.6)</b>	<b>(38,376.7)</b>	<b>105.1%</b>

# Debt Charges as a Percentage of Tax Revenues



City's Debt Charges		
	<u>\$Million</u>	
Principal	214	( 64% )
Interest	119	( 36% )
<b>Total</b>	<b>333</b>	



# New / Enhanced Service Investment Limited to Council's Highest Priorities

<b>BAC Recommended New / Enhanced Services</b>		
<b>Description</b>	<b>\$Millions</b>	
	<b>Gross</b>	<b>Net</b>
<b>Council's Highest Priorities:</b>		
Strong Neighbourhoods	34.365	4.858
Clean & Beautiful	0.543	0.543
Year of Creativity	3.250	1.500
Waterfront Initiative	0.152	0.105
<b>Total Council's Highest Priorities</b>	<b>38.310</b>	<b>7.006</b>
Best Start (Children's Services)	95.608	-
Housing Initiatives	4.000	-
Other Program	11.566	1.748
<b>Total New and Enhanced</b>	<b>149.484</b>	<b>8.754</b>

# Conclusion

# Provincial Budget - Strengthening Growth and Prosperity in Toronto

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- Province recognized that the City:
  - plays a vital role in both Ontario's and Canada's economies
  - is a centre of commerce
  - is a responsible, accountable government which should have more powers to become fiscally sustainable and autonomous
- Province has recognized the City's need for longer-term fiscal solutions
- Province has provided the City with some multi-year funding measures
- The City has benefited from new transit funding, flexible use of gas tax for transit operations, enhancement to the land ambulance program and new funding for social assistance under the Ontario Municipal Partnership Fund
- The Province acknowledges the need for the federal government to be part of the long-term solution of the City's fiscal imbalance

# Provincial Funding Responsibilities / Assistance

- Included in 2006 Budget (\$Millions)

	<u>2006</u>	<u>2007</u>
Deferral of Provincial Loan Repayment	20	20
TTC - Transit Investment for Subway Operations	100	100
Ontario Municipal Partnerships Fund - for Social Assistance	35	35 +
EMS - Increased Land Ambulance Program Funding	10	20
Public Health	14	16
<b>Total</b>	<b><u>179</u></b>	<b><u>191</u></b>

# 2006 Budget and Beyond – New Deal

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## Funding gap must be fixed

- Permanent, predictable and sustainable new long term revenue strategy

## Province

- New City of Toronto Act
- 50% funding of TTC operating costs
- Upload of cost shared programs
- Sharing of growth taxes

## Federal

- Sharing of growth taxes