

# **CITY OF TORONTO**

## **2006 Operating Budget - Briefing**

January 4, 2006

# Agenda

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1. City's Fiscal Overview
2. How the City Performs
3. 2006 Operating Budget Status
4. Conclusion / Next Steps

# City's Fiscal Overview

# 2006 Operating Budget

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- City partnerships – successful in cost sharing TTC capital
- Now need to address operating budget deficit
- Reliance on one-time solutions no longer sustainable
- Permanent solution is now required
- In 2005:
  - more than 60% of homeowners property taxes went to pay for police, fire, EMS, TTC, garbage collection and recycling, parks, libraries and roads
  - 24% of the taxes paid by homeowners still needed to fund the cost of provincial programs

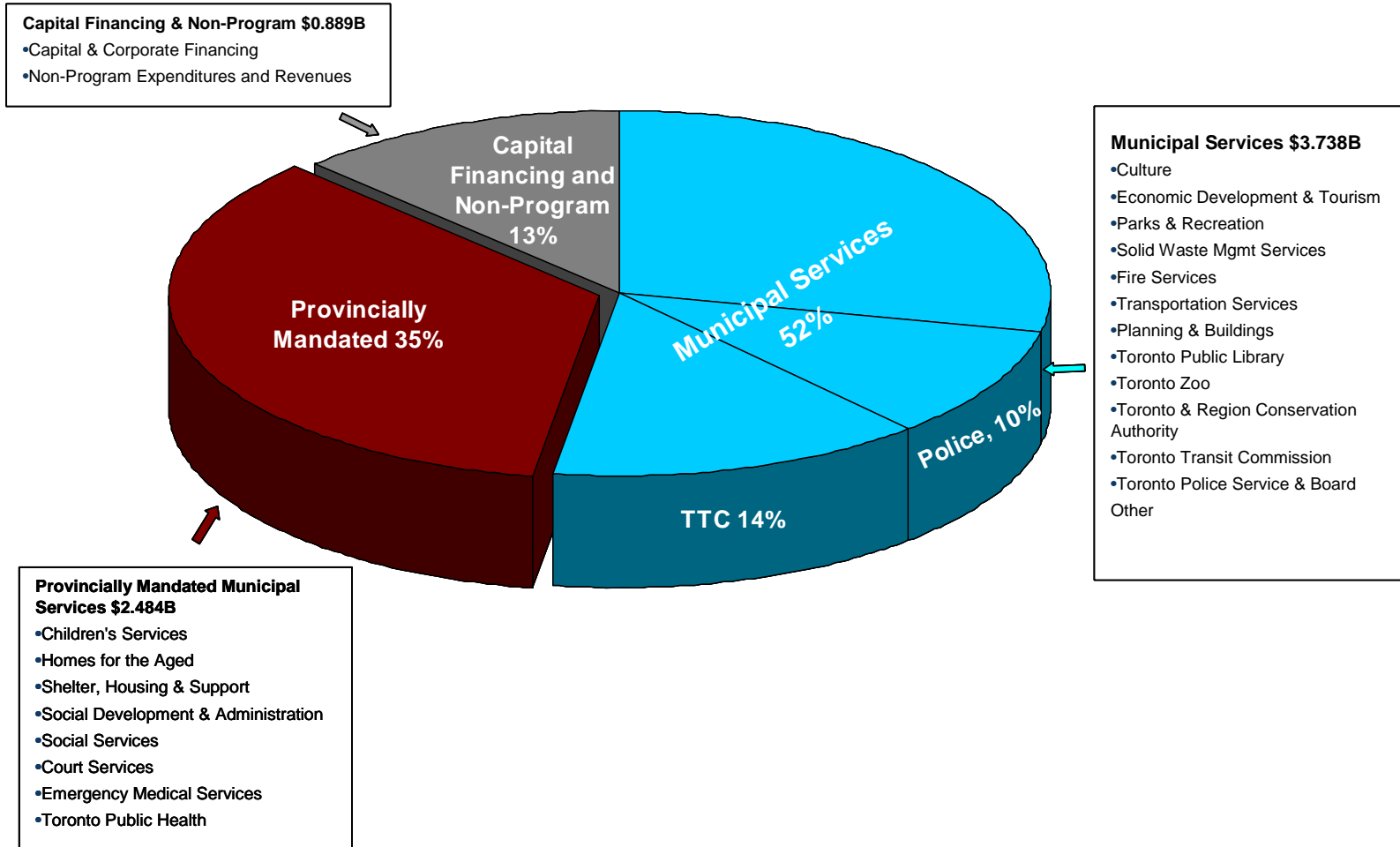
# 2006 Operating Budget

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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
- Achieve next step in new deal
- 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
- Solution 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
- Significant work remains - Council and the Province must partner

# 2005 Operating Budget - Key Service Drivers

(Levy Operations Gross Expenditures \$7.111 Billion)



2006 Proposed Operating Budget

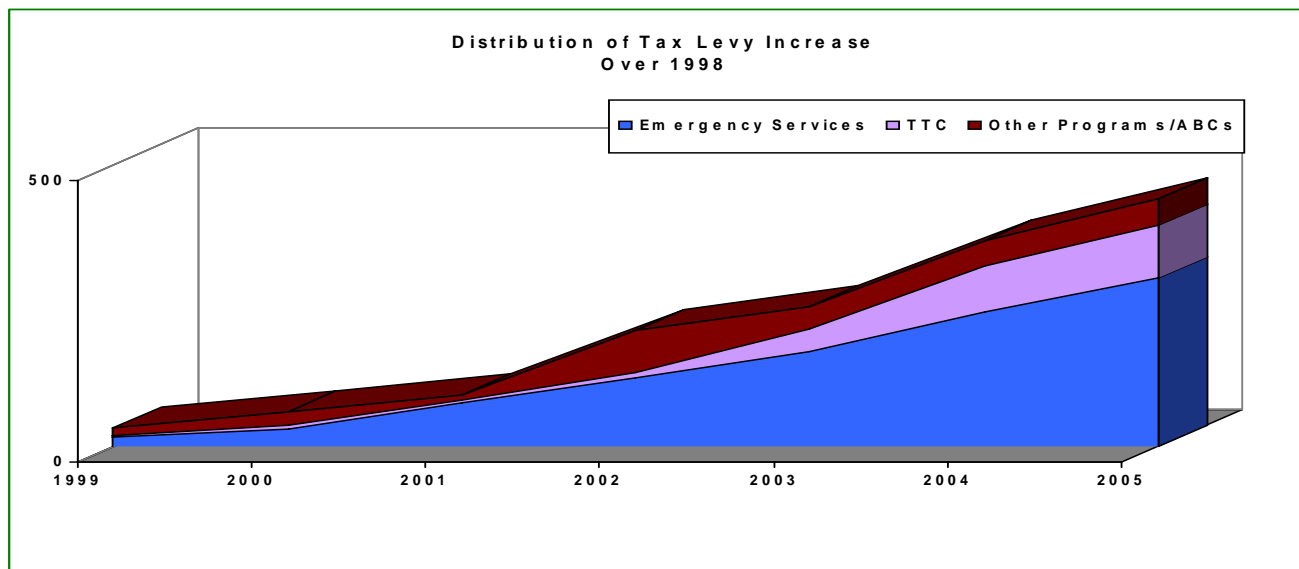
# Cost to Maintain Services Increase By \$250 - \$300M Annually

- Annual pressures mitigated by efficiencies and continuous improvement averaging \$50 million annually since 2001 -- target of \$93 million in 2006
  - \$43 million have already been found
- Increased demand for services to meet population growth and service gaps range between \$100 and \$150 million annually

<b>Average Annual Cost to Maintain Services</b>	
<b>\$Millions</b>	
Inflation on Materials, Supplies, Services, Etc.	50 - 60
Cost of Living Allowance	90 - 100
Annualization and Other Cost Adjustments	110 - 140
<b>Average Annual Cost</b>	<b>250 - 300</b>

# 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

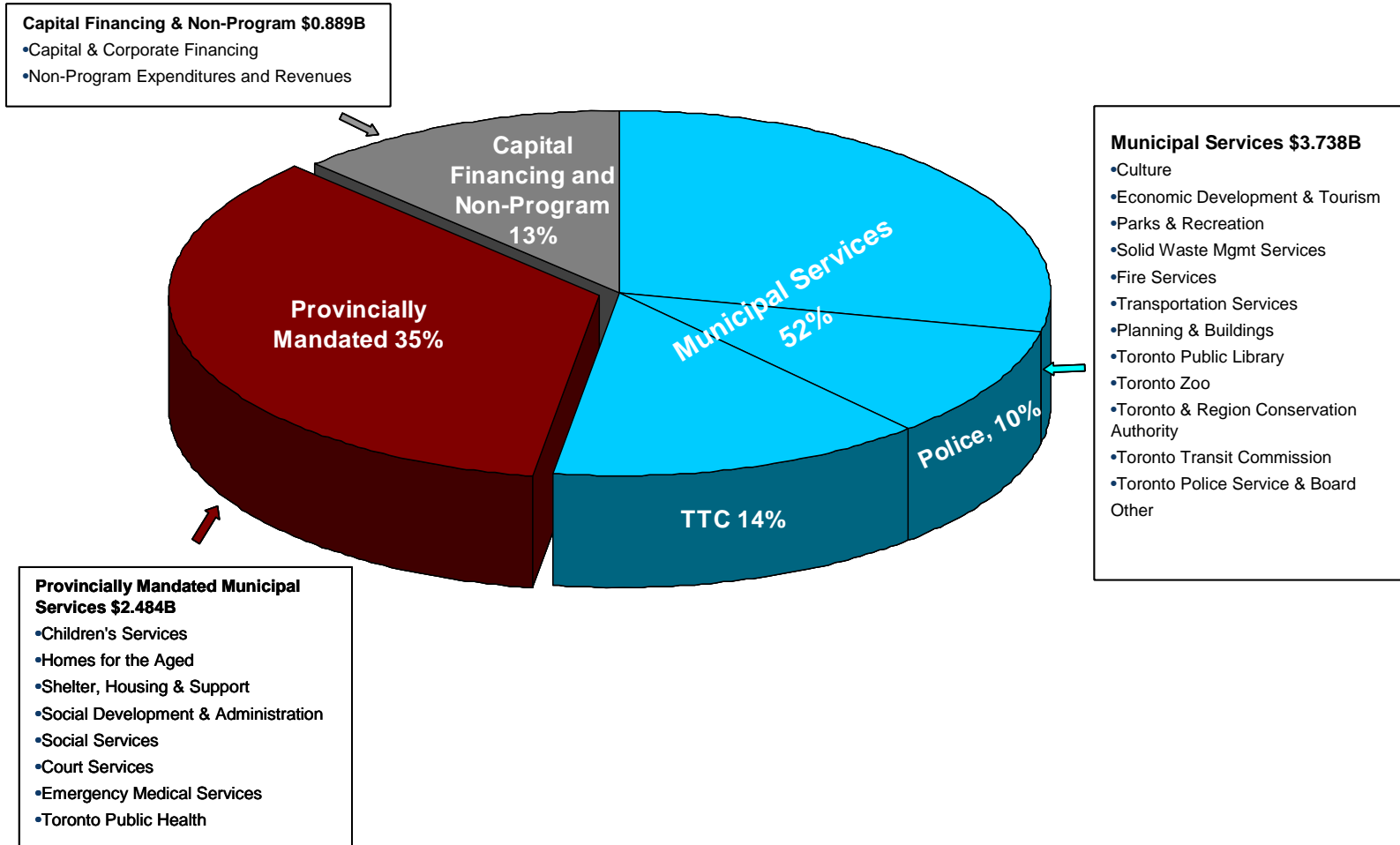




# How the City Performs

# 2005 Operating Budget - Key Service Drivers

(Levy Operations Gross Expenditures \$7.111 Billion)



2006 Proposed Operating Budget

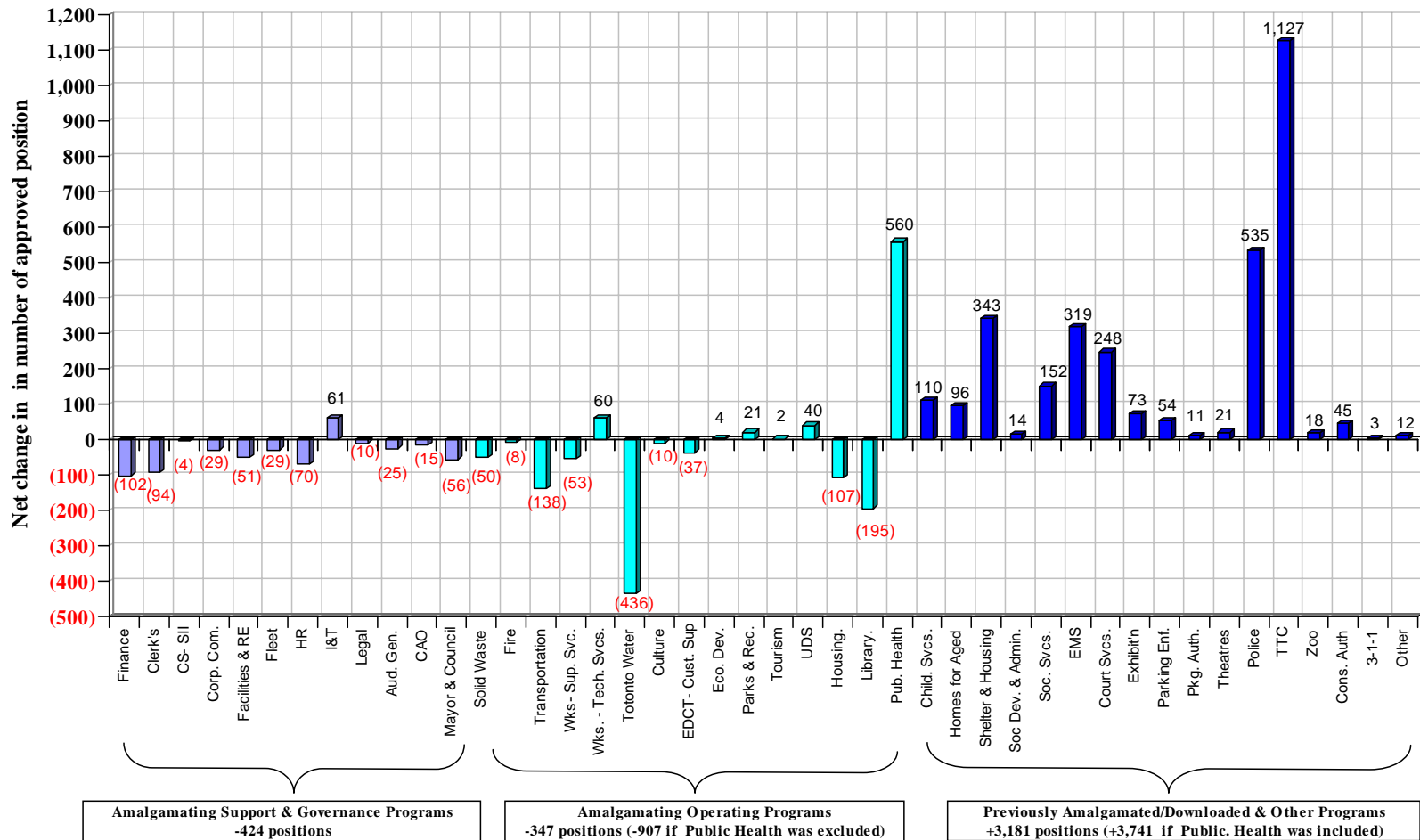
# How Has the City Been Controlling Costs

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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
- Examining performance of City programs
  - Internal comparison on a year-over-year basis
  - External comparison to other Ontario municipalities
- Already found \$43 million reductions from 2006 Budget Request
- Looking for another \$50 million through continuous improvement / efficiency
- Since 2001 City has found new savings each year:
  - 2001 -- \$40 million; 2002 --\$45 million; 2003 -- \$50 million, 2004 -- \$60 million, 2005 -- \$60 million

# 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)



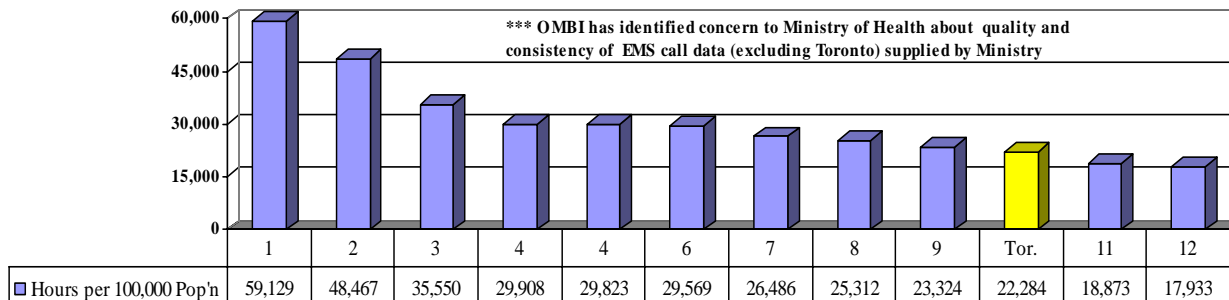
# How Toronto Performs: (OMBI / MPMP)

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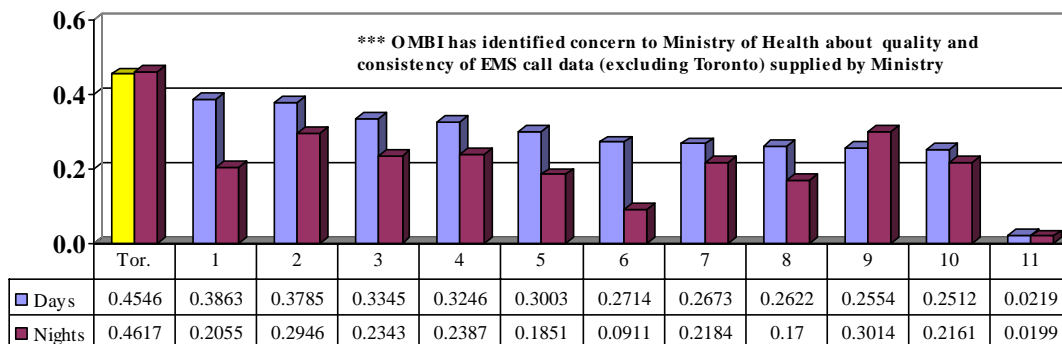
- For a number of years the City has been examining its performance relative to other municipalities
- Results from the Provincially Mandated, Municipal Performance Measurement Program (MPMP) and the Ontario Municipal CAOs Benchmarking Initiative (OMBI) reveals that Toronto compares favourably against other Ontario municipalities
- Performance measures now integral part of budget preparation and review process

# Emergency Medical Services

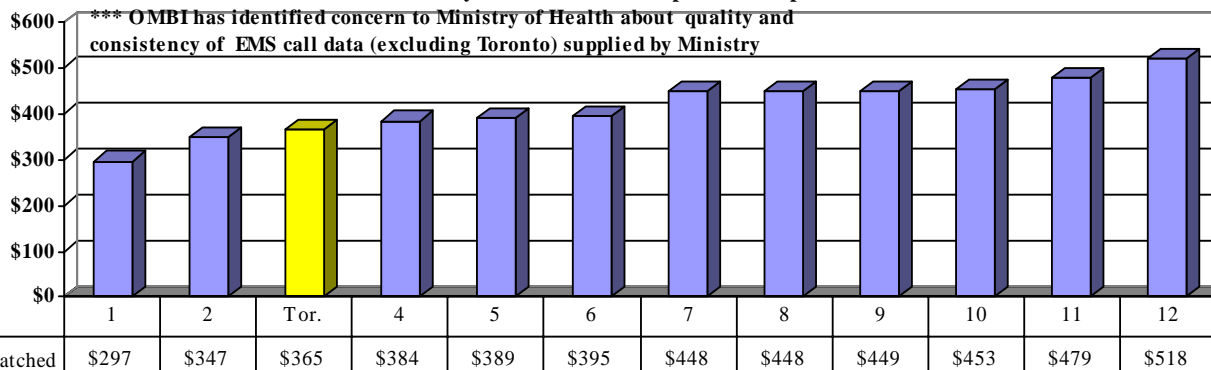
OMBI-EMS- Service Level-2004 - Weighted EMS Vehicle Service Hours per 100,000 Population



OMBI - EMS - Utilization-2004 - EMS Unit Hour Activity Codes (Utilization) Days and Nights (Codes 1-4)



OMBI-EMS- Efficiency-2004 - Cost of EMS per Call Dispatched

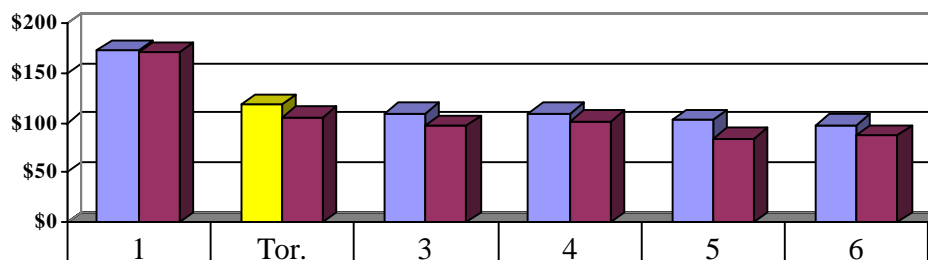


Influencing factors on these results include:

- urban/rural mix
- types and mix of response vehicles
- age and health status of the population
- offload delays in hospitals.

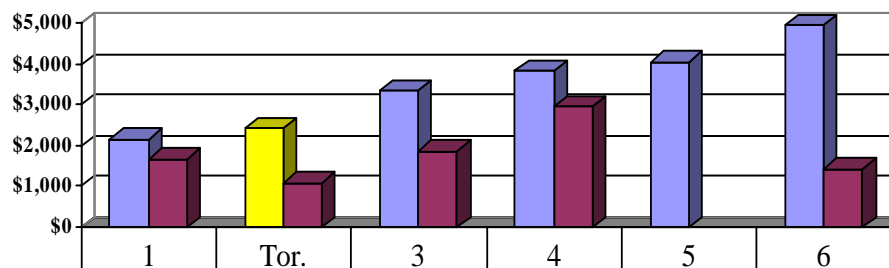
# Fire Services

**OMBI- Fire- Service Level-2004**  
**Total Fire Operating Cost per Capita (Urban and Rural Operations)**  
**& Fire Staffing Costs per Capita (Urban Operations)**



■ \$Cost per Capita (urban & Rural)	\$172.74	\$118.91	\$109.75	\$109.28	\$102.79	\$98.00
■ \$Urban Staffing Costs per Capita	\$171.55	\$106.01	\$96.74	\$101.94	\$84.30	\$87.70

**OMBI- Fire- Efficiency-2004**  
**Cost of Fire Services per Incident/Response and Cost per Vehicle run**



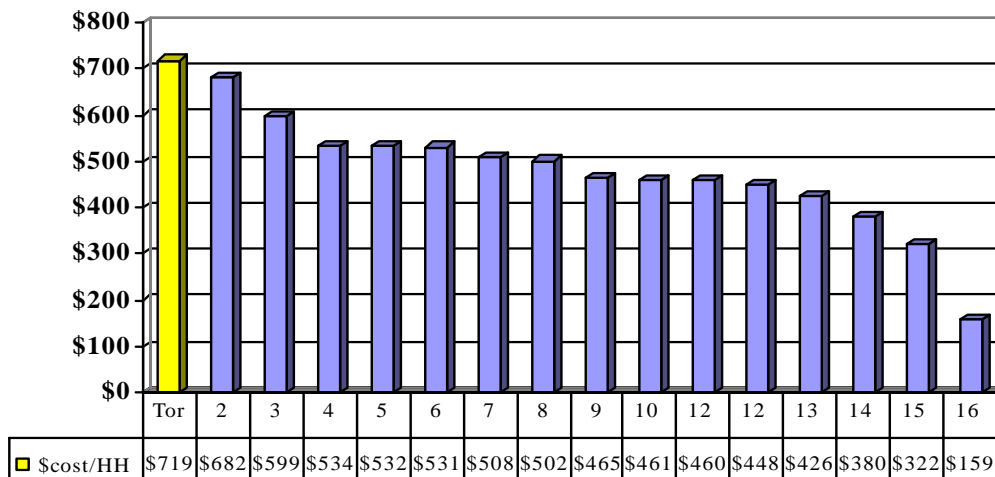
■ \$Cost per incident/response	\$2,169	\$2,435	\$3,359	\$3,844	\$4,060	\$4,972
■ \$Cost per vehicle run	\$1,665	\$1,084	\$1,861	\$2,963		\$1,433

Influencing factors on these results include:

- urban / rural mix
- service levels established by Councils
- response time standards
- responses to and nature of other non-fire emergencies
- different municipal approaches to the three lines of defence in the Ontario Fire Safety and Protection Model (public education and prevention; fire safety standards and enforcement, and emergency response).

# Policing

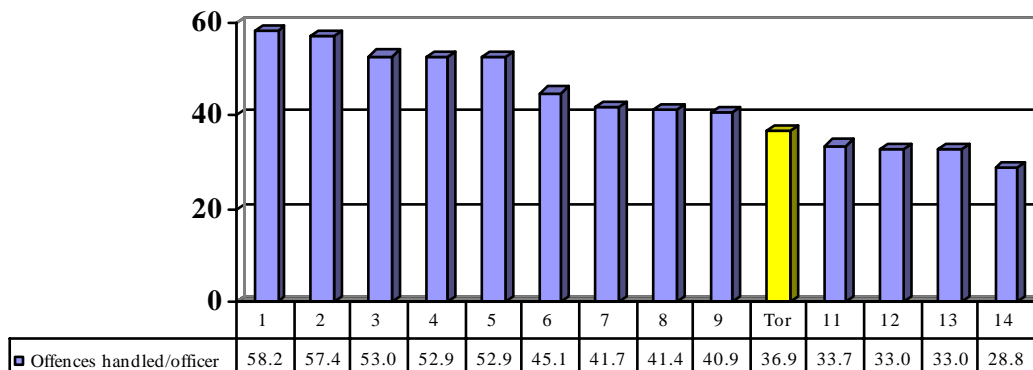
**OMBI/MPMP- Police- Service Level-2004**  
**Policing Gross Cost per Household (MPMP)**



Influencing factors on these results include:

- service/staffing levels established by Councils
- non-residents such as commuters and tourists
- size of the commercial/industrial sector
- specialized services in larger municipalities
- officer/civilian mix of workforce
- the degree of preventative policing work.

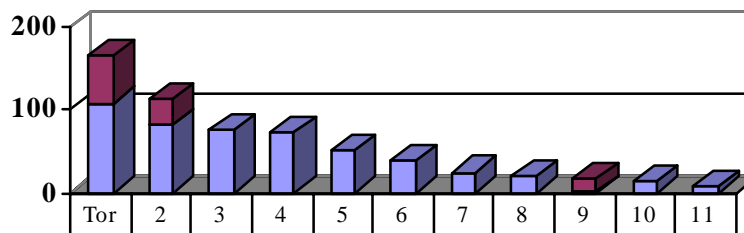
**OMBI- Police- Efficiency-2004**  
**Number of Criminal Code Offences Handled per Police Officer**





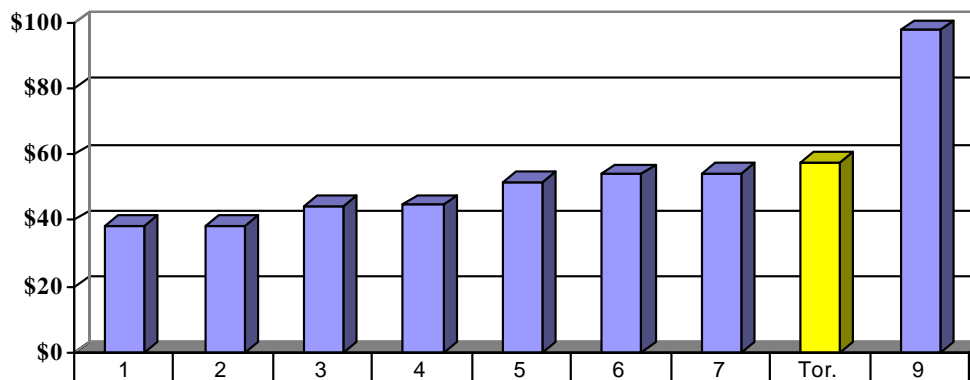
# Hostels

**OMBI- Hostels- Service Level**  
(Municipally Operated and Purchased) per 100,000 Population



■ Munic. Operated Beds per 100,000 pop'n	56.7	30.4							15.7		
■ # Purchased beds per 100,000 pop'n	108	82.4	74.8	71.8	49.8	38.1	24.4	20.1	1.1	14.8	7.2

**OMBI-Hostels-Efficiency**  
Total Cost per Emergency Shelter Bed Night



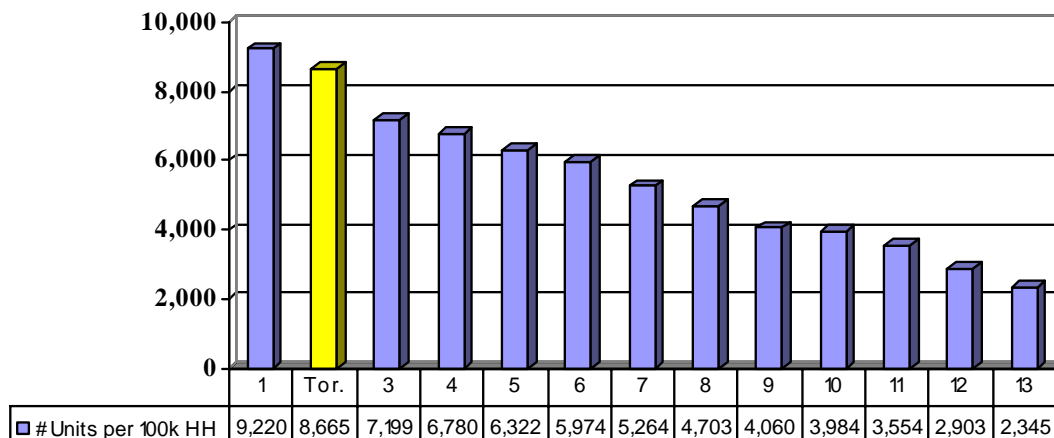
■ \$cost per bed night	\$38.42	\$38.63	\$44.45	\$44.63	\$51.75	\$54.01	\$54.29	\$57.51	\$97.52
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Influencing Factors on these results include:

- local policies and support for homelessness
- severity of client condition (chronic vs. new or episodic homelessness)
- availability of transitional and/or supported living/housing in the community
- ancillary services or support provided in concert with a bed can vary and impact cost
- the ratio of directly operated vs. purchased beds
- Federal immigration policies and processing times.

# Social Housing

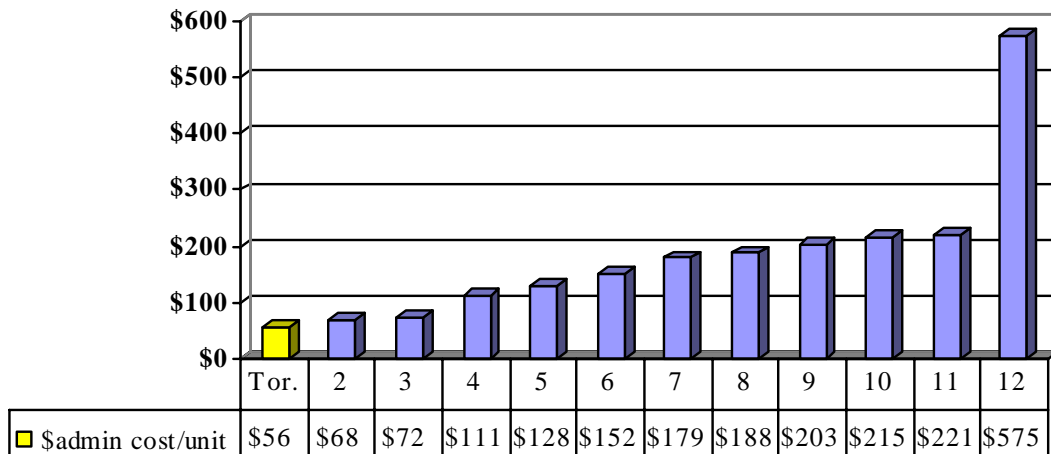
**OMBI- Social Housing- Service Levels-2004**  
**Number of Total Social Housing Units per 100,000 Household**



Influencing factors on these results include:

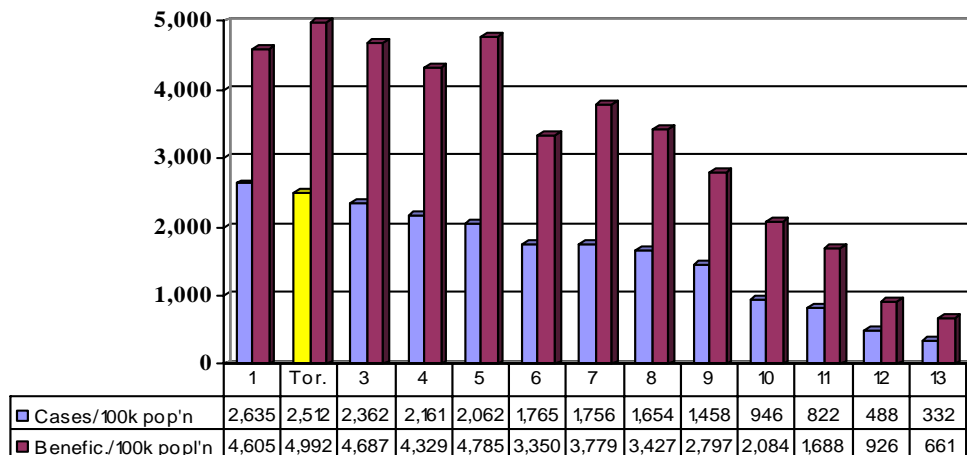
- local and economic conditions which affect demand for affordable housing
- administrative structure which varies among municipalities due to service standards and Council priorities and policy.

**OMBI- Social Housing- Efficiency-2004**  
**Administration Cost per Housing Unit**



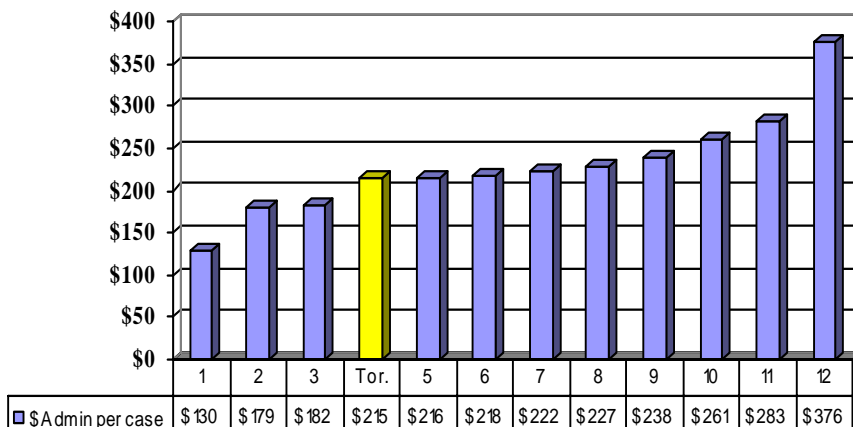
# Social Services

**OMBI- Social Services-Service Level 2004**  
**Case Load and Beneficiaries per 100,000 Population (2004)**



**OMBI- Social Services- Efficiency-2004**

**Average Social Services Administration Cost per Case (Monthly)**



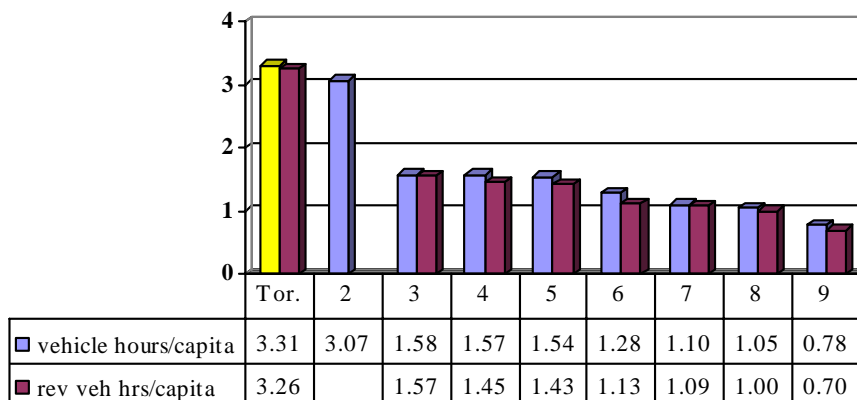
Influencing factors on these results include:

- demographics in a municipality: populations with limited or no English language skills impact service needs and cost
- employability: clients with one or more barriers to employment such as lack of education/skills/work experience
- client profile: the dynamic nature of the caseload includes transient clients and those clients moving on and off the caseload from precarious work situations.

# Transit

## OMBI- Transit- Service Level- 2004

### Total Vehicle Service Hours and Revenue Vehicle Hours per Capita

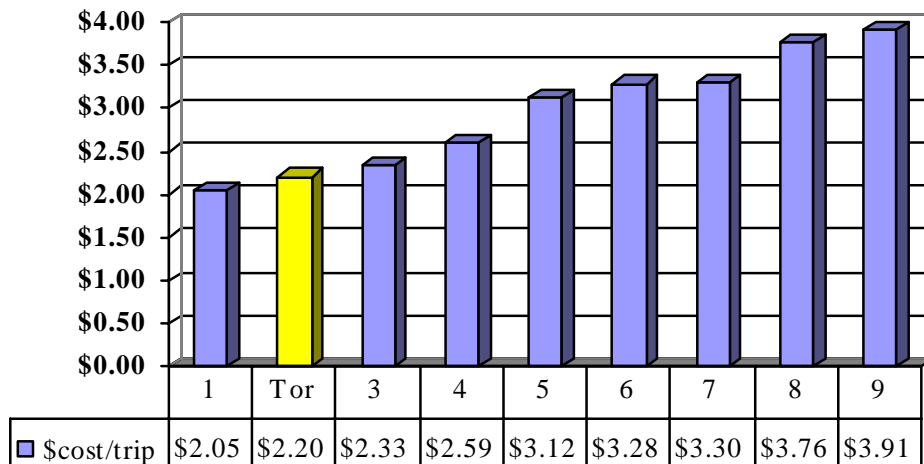


Influencing factors on these results include:

- population density in the service area
- average household incomes
- the nature and modes of transit service design and delivery

## OMBI/MPMP- Transit- Efficiency -2004

### Oper. Cost for Convent. Transit per Reg. Passenger Trip



# Council Approved 3 Year Operating Budget Targets

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- 2006 2% Base Budget Net Expenditure Increase - 40% of City Programs and majority of ABCs did not meet target:
  - City Programs – further reductions would require service and / or service level cuts
  - Major ABCs (TTC, Police) have been directed to provide options to achieve targets
  - Non-Program increase mainly due to uncontrollable one-time revenues in 2005
- 2007 and 2008 – 0% increase over 2006
- Achieving Targets Require:
  - base reviews, efficiencies / continuous improvement and service rationalization
  - user fee increases based on full service cost recovery and inflationary increases
  - service realignment to fund any new spending on 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
- Work on a process and tools to implement Council priorities continues

# 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

# 2006 Operating Budget



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

\$Millions

## Provincial Responsibilities:

- Provincial Loan Deferral	20
- Special Provincial Transfer	45
- Gas Tax Revenues for Operating	92
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	157
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## 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
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<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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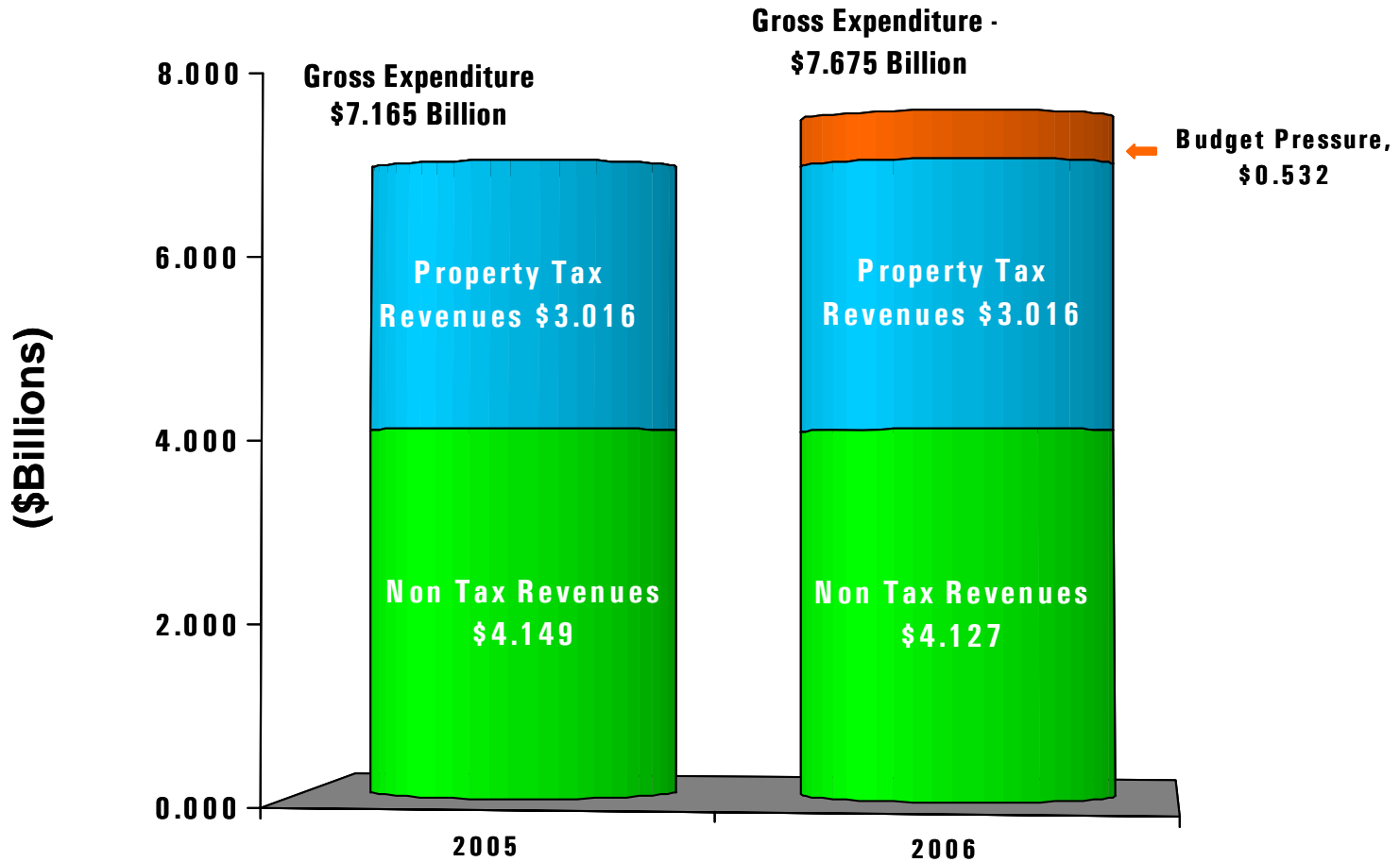
# Administrative Review Reduced 2006 Operating Pressure to \$532 Million

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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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# 2006 Proposed Gross Operating Budget



# The Proposed Operating Budget Is Not Balanced -- Reflects Pressure of \$532 Million

(\$000's)	2005 Approved Budget		2006 Proposed Budget		Change from 2005 Approved Budget		Change from 2005 Approved Budget	
	Gross	Net	Gross	Net	Gross	%	Net	%
<b>City Operations</b>	4,091,568.1	1,818,106.6	4,319,768.8	1,975,315.0	228,200.7	5.6%	157,208.4	8.6%
<b>Special Purpose Bodies</b>	2,270,654.1	1,235,322.9	2,449,822.2	1,349,265.7	179,168.1	7.9%	113,942.8	9.2%
<b>Community Partnership and Investment Program</b>	44,157.3	38,862.1	44,353.9	39,180.9	196.6	0.4%	318.8	0.8%
<b>Capital &amp; Corporate Financing</b>	456,002.0	432,464.7	501,515.1	496,546.8	45,513.1	10.0%	64,082.1	14.8%
<b>Non Program</b>	303,216.5	(508,273.3)	360,066.1	(311,385.7)	56,849.6	18.7%	196,887.6	(38.7%)
<b>Levy Operating Budget - Before Assessment Growth</b>	<b>7,165,598.0</b>	<b>3,016,483.0</b>	<b>7,675,526.1</b>	<b>3,548,922.7</b>	<b>509,928.1</b>	<b>7.1%</b>	<b>532,439.8</b>	<b>17.7%</b>
<b>Assessment Growth -- 2006</b>	0.0	0.0	0.0	(10,000.0)	0.0	n/a	(10,000.0)	n/a
<b>Total Levy Operating Budget - After Assessment Growth</b>	<b>7,165,598.0</b>	<b>3,016,483.0</b>	<b>7,675,526.1</b>	<b>3,538,922.7</b>	<b>509,928.1</b>	<b>7.1%</b>	<b>522,439.8</b>	<b>17.3%</b>

# Citizen Centred Services 'A' Pressure of \$112 Million Is Primarily Due to Provincial Capping

(\$000's)	2006 Proposed Budget			
	2005 Approved Budget	2006 Proposed Budget	Change from 2005 Approved Budget	
			\$	%
<b>Citizen Centred Services "A"</b>				
Affordable Housing Office	1,393.1	1,421.0	27.9	2.0%
Children's Services	68,123.6	68,667.0	543.4	0.8%
Court Services	(9,034.4)	(8,104.0)	930.4	(10.3%)
Culture	8,952.0	10,653.6	1,701.6	19.0%
Economic Development	7,923.5	8,291.6	368.1	4.6%
Emergency Medical Services	67,518.3	70,927.4	3,409.1	5.0%
Homes for the Aged	32,733.3	33,388.0	654.7	2.0%
Parks, Forestry & Recreation	203,508.0	212,107.1	8,599.1	4.2%
Shelter Support & Housing Administration	269,932.3	275,330.9	5,398.6	2.0%
Social Development Finance & Administration	20,342.4	21,662.3	1,319.9	6.5%
Social Services	221,059.8	310,740.6	89,680.8	40.6%
Tourism	5,436.6	5,285.6	(151.0)	(2.8%)
<b>Total Citizen Centred Services "A"</b>	<b>897,888.5</b>	<b>1,010,371.1</b>	<b>112,482.6</b>	<b>12.5%</b>

# Citizen Centred Services 'B' Includes Pressure of \$29 Million Primarily Attributed to Protection of Services

(\$000's)	2006 Proposed Budget			
	2005 Approved Budget	2006 Proposed Budget	Change from 2005 Approved Budget	
			\$	%
<b>Citizen Centred Services "B"</b>				
Buildings	(11,607.4)	(11,375.7)	231.7	(2.0%)
Business Support Service	9,100.7	9,282.8	182.1	2.0%
City Planning	13,308.4	13,460.4	152.0	1.1%
Clean and Beautiful City Secretariat	326.5	197.0	(129.5)	(39.7%)
Fire Services	312,654.5	325,633.0	12,978.5	4.2%
Municipal Licensing & Standards	4,486.3	4,908.7	422.4	9.4%
Solid Waste Management Services	165,288.3	173,655.6	8,367.2	5.1%
Transportation Services	183,733.0	189,765.4	6,032.4	3.3%
Waterfront Secretariat	709.5	828.8	119.3	16.8%
WES - Technical Services	4,386.1	5,151.6	765.5	17.5%
<b>Total Citizen Centred Services "B"</b>	<b>682,385.9</b>	<b>711,507.6</b>	<b>29,121.6</b>	<b>4.3%</b>

# Overall, Internal Services Have Met The 2% Target

(\$000's)	2006 Proposed Budget			
	2005 Approved Budget	2006 Proposed Budget	Change from 2005 Approved Budget	
			\$	%
<b>Internal Services</b>				
Office of the DCM and Chief Financial Officer	13,197.4	13,461.3	263.9	2.0%
Office of the Treasurer	30,325.5	30,932.0	606.5	2.0%
Corporate Communications	6,816.1	7,077.4	261.3	3.8%
Facilities & Real Estate	51,241.6	52,108.9	867.3	1.7%
Fleet Services	0.0	0.0	0.0	0.0%
Information & Technology	41,735.2	43,221.0	1,485.8	3.6%
<b>Total Internal Services</b>	<b>143,315.9</b>	<b>146,800.7</b>	<b>3,484.8</b>	<b>2.4%</b>



# Other City Programs

(\$000's)	2006 Proposed Budget			
	2005 Approved Budget	2006 Proposed Budget	Change from 2005 Approved Budget	
			\$	%
<b>Other City Programs</b>				
City Manager's Office	5,894.8	6,010.6	115.8	2.0%
Human Resources	26,377.7	27,848.1	1,470.4	5.6%
City Clerk's Office	19,907.2	28,991.2	9,084.0	45.6%
Legal Services	18,017.2	18,537.0	519.8	2.9%
Auditor General's Office*	3,566.4	4,080.7	514.3	14.4%
Office of the Mayor	1,855.8	1,892.9	37.1	2.0%
Council	18,514.5	18,884.8	370.3	2.0%
3-1-1 Project Management Office	382.9	390.6	7.7	2.0%
<b>Total Other City Programs</b>	<b>94,516.4</b>	<b>106,635.7</b>	<b>12,119.4</b>	<b>12.8%</b>

\* Auditor General Office Budget is recommended by Audit Committee

# Most ABCs Are Over The 2006 2% Target

(\$000's)	2006 Proposed Budget			
	2005 Approved Budget	2006 Proposed Budget	Change from 2005 Approved Budget	
			\$	%
<b>SPECIAL PURPOSE BODIES</b>				
Toronto Public Health*	70,754.1	64,060.9	(6,693.2)	n/a
Toronto Public Library	140,448.6	145,026.4	4,577.8	3.3%
Association of Community Centers	5,726.0	5,834.2	108.2	1.9%
Exhibition Place	189.8	435.2	245.4	129.3%
Heritage Toronto	307.9	355.5	47.6	15.5%
Theatres	2,867.5	3,059.8	192.3	6.7%
Toronto Zoo	11,565.5	11,791.1	225.6	2.0%
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	3,075.7	60.3	2.0%
Toronto Transit Commission - Conventional	228,480.0	299,233.9	70,753.9	31.0%
Toronto Transit Commission - Wheel Trans	53,735.5	60,698.3	6,962.8	13.0%
Toronto Police Service	716,103.2	753,138.7	37,035.5	5.2%
Toronto Police Board	1,296.7	1,853.5	556.8	42.9%
<b>TOTAL</b>	<b>1,235,322.9</b>	<b>1,349,265.7</b>	<b>113,942.8</b>	<b>9.2%</b>

\*TPH – Increased revenue results from Provincial cost sharing ratio change from 55% to 65%

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

	\$Millions	
	Gross	Net
<b>Council's Highest Priorities:</b>		
Strong Neighbourhoods	2.871	0.913
Clean & Beautiful	1.066	1.066
Year of Creativity	3.250	1.500
Waterfront Initiative	0.152	0.105
<b>Total Council's Highest Priorities</b>	<b>7.339</b>	<b>3.584</b>
Items Referred to the 2006 Budget Process	1.576	(0.065)
Other Program Requests	133.230	5.646
<b>Total New and Enhanced</b>	<b>142.145</b>	<b>9.165</b>

# Conclusion and Next Steps

# Conclusion – Addressing the Structural Financial Issue

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- Significant work to be done by Committee and Council:
  - maintain services
  - find further savings
  - manage increased demand for service while revenues remain flat
  - absorb increased costs
- Address effect of under-funded provincial programs
- This year is different than others:
  - City cannot rely on reserves and one-time solutions
  - Cumulative effect of one-time solutions now too large
- Need to match financial tools with service responsibilities

# Conclusion – Addressing the Structural Financial Issue

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- Five strategies required to address the on-going operating budget imbalance:
  1. Committee and Council must find further savings in the budget – beyond the \$43 million already outlined
  2. Tax increases and use of reserves and other revenues where appropriate and necessary
  3. Province must pay for the cost of provincial programs and loan payment deferral
  4. The Province to reassume the cost of income redistribution programs, and
  5. The City be given revenues that grow with the economy that can then be put back into providing services that respond to that growth
- The partnership created to address capital budget issues has worked well
- Next step of the New Deal will require significant commitment
- City is ready to do its part, and will work with the Province to address the issues

# 2006 Proposed Operating Budget – Balancing Strategies (\$Millions)

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**Operating Budget Shortfall** **532.0**

## **Annual City Cost of Provincial Responsibilities:**

Social Housing Annual City Cost (218.0)

TTC Operating Subsidy: 50% Share (180.0)

Ontario Drug Benefit / Ontario Disability Support Program City Cost (167.3)

Social Services Capping and Shortfall (59.6)

Emergency Medical Services Capping (12.3)

Security for Courtrooms, and Community Policing Capping (42.6)

Amalgamation Loan Payment Deferral (20.0)

Miscellaneous Other Programs (31.9)

**Total Annual City Cost of Provincial Responsibilities** **(731.7)**

# 2006 Proposed Operating Budget – Balancing Strategies (\$Millions)

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## Municipal Options:

One Time Transitioning Options:

Monetizing Hydro Bond: maximum \$980 million (Over 3 Years)

Reserve Draws: maximum \$160 million

Tax Increase:

- for every 3% res plus 1% non-res = \$53 million

Further Efficiencies and User Fee Increases (50.0)

Further Possible Increase in Hydro Dividends (13.0)

Further Assessment Growth (10.0)

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# Next Steps

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**Committee Reviews**

Jan -- Feb

**Public Consultation**

Jan -- Feb

**Public Deputations:**

Standing Committees

- Administration Committee
- Planning and Transportation Committee
- Works Committee
- Community Services Committee
- Economic Development and Parks Committee

Jan 5

Jan 9

Jan 11

Jan 12

Jan 16

Policy and Finance Committee and Budget Advisory  
Committee Review

Feb 16

**City Council - Review and Approval**

**Mar 27 -- 31**