

Analyst Briefing Notes

Budget Committee

(March 26, 2007)

2007 OPERATING BUDGET

Executive Summary	2
Recommendations	5
Section A: 2006 Budget Variance Analysis	6
2006 Experience	6
Impact of 2006 Operating Variance on 2007 Recommended Budget	7
Section B: 2007 Operating Budget Overview	8
3-Year Operating Budget Overview	8
Service Delivery - Challenges and Issues	9
Mayor's Mandate	11
Section C: 2007 Recommended Base Budget	13
2007 Recommended Base Budget	13
2007 Key Cost Drivers	13
Section D: 2007 Recommended Service Priorities	16
Summary of 2007 New / Enhanced Service Priorities	16
Issues for discussion.....	19
2007 Operating Budget Issues.....	19
Issues Referred to 2007 Operating Budget Process	24
Appendices:	
Appendix 1: Summary of Recommended Base Budget Changes from 2006 Approved Budget.....	25
Appendix 2: Summary of Service Level Adjustments	26
Appendix 3: Summary of 2007 Recommended New/Enhanced Service Priorities	27
Appendix 4: Inflows/Outflows to/from Reserves and Reserve Funds	28

Contacts: Judy Skinner, Manager, Financial Planning Division
Tel: (416) 397-4219

Peter Remedios, Senior Financial Planning Analyst
Tel: (416) 392-8095

March 23, 2007

2007 OPERATING BUDGET**Executive Summary**

- The 2006 preliminary year-end net expenditure of \$219.737 million is \$3.533 million or 1.6% above the 2006 Approved Budget of \$216.205 million. This unfavourable variance is largely attributable to salaries and benefits being \$4.600 million overspent as a result of higher than anticipated overtime costs, unmet gapping and increased WSIB costs. This over-expenditure was partially offset by utility costs that came in \$4.200 million under budget. The Program also experienced an overall revenue shortfall of \$0.500 million. Increased income from community recreation programming could not compensate for concession revenue that has been being underachieved by \$2.500 million. Revenue from concessions has been consistently under-budget as detailed in the *Revenue Review – Phase I & Phase II* reports.
 - Due to the Program’s direct service delivery and the mix of its staff, salaries and benefits are likely to be over-spent in 2007 as well.
 - Revenues from concessions, which are largely fixed, are expected to be under-budget again in 2007.
 - Utility savings from the OPG rebates and Energy Retrofit Program will not continue in 2007. Savings from the latter will be applied against debt repayments.
- The 3-Year Operating Budget is derived, in part, from the Program’s Strategic Plan, *Our Common Grounds*, as well as a number of Council-approved reports including *Parks & Recreation Service Improvement Priorities* and *Clean & Beautiful City*. While the Program’s vision is to “provide world-class parks, a healthy urban forest and a wide variety of leisure opportunities and recreational experiences to Toronto’s diverse communities”, it faces the following difficulties in achieving its service mandate:
 - Social Challenges: changing demographics, physical inactivity and obesity, child poverty, limited youth engagement.
 - Environmental Challenges: increased park litter, invasive species such as the Asian long-horned beetle and the Gypsy moth.
 - Financial Challenges: aging assets and infrastructure, demand for new facilities and programs, increased costs levied by other public agencies (i.e. the school boards).
- The 2007 Recommended Operating Budget for Parks, Forestry and Recreation is 4.6% (\$9.942 million) over the Program’s 2006 Approved Operating Budget, which is its 2007 target.

Table 1: 2007 Recommended Budget

	2006		2007 Recommended Operating Budget			Change - 2007 Recommended from 2006 Approved Budget		FY Incremental Outlook	
	2006 Appvd. Budget	2006 Projected Actual	2007 Base	2007 New /Enhanced	2007 Operating Budget			2008	2009
	\$	\$	\$	\$	\$			%	\$
(In \$000s)									
GROSS EXP.	289,166.3	292,156.3	296,334.4	7,109.9	303,444.3	14,278.0	4.9	8,534.2	
REVENUE	72,961.5	72,419.0	74,622.8	2,675.2	77,298.0	4,336.5	5.9	(25.5)	
NET EXP.	216,204.8	219,737.3	221,711.6	4,434.7	226,146.3	9,941.5	4.6	8,559.7	
Approved Positions	4,005.3	4,005.3	4,005.8	105.0	4,110.8	105.5	2.6	10.6	
TARGET			216,204.8		216,204.8				
\$ Over / (Under) Program Target			5,506.8		9,941.5				
% Over / (Under) Program Target			2.5%		4.6%				

- The 2007 Recommended Operating Budget for Parks, Forestry and Recreation is \$226.146 million net. This is comprised of base funding of \$221.712 million and new/enhanced service priorities of \$4.435 million. Approval of the 2007 Recommended Operating budget will result in the Program’s staff complement increasing from 4,005.3 to 4,110.8 approved positions.
 - The 2008 Outlook increase of \$8.560 million includes initial estimates for cost of living (COLA), merit/step increases, and the annualized impact of new/enhanced services.
- The 2007 Recommended Base Budget is \$5.507 million or 2.5% over the 2007 target. The base budget incorporates the Program’s key cost drivers including COLA, collective agreement and other non-discretionary expenditures that total \$12.500 million. These are partially defrayed by efficiencies of \$5.400 million, fee revenue increases of \$1.100 million and one service reduction of \$0.500 million.
- To promote the objectives of the Program, the 2007 Recommended Operating Budget incorporates various new/enhanced services. A number of these 2007 initiatives also advance the Mayor’s Mandate including:
 - Investing in Families Program - \$0.380 million gross, \$0 net
 - After School Recreation Care Program - \$2.283 million gross, \$0 net
 - Toronto’s Urban Farm - \$0.189 million net with a 2008 impact of \$0.065 million
 - Ravine & Watercourse Maintenance with a Park Ranger Program - \$0.795 million net with a impact of \$0.441 million in 2008
 - Beach & Waterfront Maintenance - \$0.470 million net with a \$0.154 million annualization in 2008
 - Reduce the Tree Service Delay - \$0.932 million net

- Operating Funding for 4 Waterfront Projects - \$0.306 million net with a 2008 impact of \$0.094 million
- Maintenance of Newly Planted Trees - \$0.313 million net with an annualization of \$0.182 million in 2008
- Parks, Forestry and Recreation (PF&R) faces a number of future challenges.
 - Unfavourable Revenue Variances – Although improving, the Program has had chronic difficulty in meeting its revenue budget.
 - Expenditure Growth – The Program’s Operating Budget has grown, on average, by more than \$10 million annually since 2003. This rate of growth is not sustainable, yet the Program may be challenged to maintain current service levels without additional funding.
 - Maintaining aging facilities and keeping activities within them relevant to Toronto’s changing communities.
 - Future Impacts – The incremental pressure produced by future Waterfront projects as well as the Program’s own 5-Year Capital Plan, *Service Priorities* and other reports is considerable.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Operating Budget for Parks, Forestry and Recreation of \$303.444 million gross and \$226.146 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Community Recreation	99,628.6	55,111.4
Parks	70,976.1	67,278.1
Parks Development & Infrastructure Management	77,319.5	73,422.9
Strategic Services	17,755.6	2,369.8
Urban Forestry	26,932.9	21,955.4
Management Services	8,444.3	8,365.1
Divisional Coordination & Community Engagement	2,387.2	2,383.2
	<hr/>	<hr/>
Total Program Budget	<u>303,444.3</u>	<u>226,146.3</u>

2. funding for future phases of the Divisional Safety and Security Plan be considered in the context of the City-wide security review.

Section A: 2006 Budget Variance Analysis

Table 2: 2006 Budget Variance Review

(In \$000s)	2005 Actuals	2006 Approved Budget	2006 Projected Actuals*	2006 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	279,434.8	289,166.3	292,156.3	2,990.0	1.0
REVENUES	71,252.9	72,961.5	72,419.0	(542.5)	(0.7)
NET EXP.	208,181.9	216,204.8	219,737.3	3,532.5	1.6
Approved Positions	3,894.1	4,005.3	4,005.3	0.0	0.0

Source: *Projected Actuals Based on the Preliminary Year-End Operating Variance Report.

2006 Experience

Parks, Forestry & Recreation's Preliminary Year-End Variance Report indicates actual expenditures of \$219.737 million net. This represents a negative variance of \$3.533 million or 1.6% of the Program's 2006 Approved Operating Budget of \$216.205 million net.

A number of factors have contributed to this overspending:

- Salaries and benefits were overspent by \$4.6 million as a result of:
 - Greater vacation entitlements due to increased staff seniority;
 - Work emergencies, such as weather-induced tree and facility damage, produced higher overtime costs than what was originally budgeted;
 - Staff turnover rates were lower than expected. Accordingly, gapping targets were not met; and
 - Higher than anticipated workplace injury claims drove up WSIB costs.
- Utility costs were \$4.2 million under budget due to the application last year of 2005 Ontario Power Generation (OPG) rebates as well as energy savings realized from the Energy Retrofit Program.
- Excluding utility and salary costs, overspending on Fleet, Toronto District School Board (TDSB) and Facilities and Real Estate services produced an additional \$2.0 million expenditure pressure.
- The unfavourable revenue variance of \$0.5 million reflects increased income from community recreation programming which was offset by concession revenue being underachieved by \$2.5 million. The Division has had chronic difficulty in achieving its revenue target for concessions, as detailed in the *Revenue Review Phase 2* report;

- The number of approved positions in the Program increased from 3,894.1 in 2005 to 4,005.8 in 2006. The additional 111.2 staff reflect an in-year corporate transfer of positions from the Social Development, Finance and Administration Division as well as staffing for the start up of the new After-School Recreation Care Program.

Impact of 2006 Operating Variance on 2007 Recommended Budget

- Due to the mix of its staff complement, the Program's salaries and benefits are likely to be over spent again in 2007. No provision has been made in the 2007 Recommended Operating Budget for higher overtime costs or unachievable gapping targets. However, additional funding of \$0.230 million net has been proposed for a "health and safety" initiative in an effort to curtail escalating WSIB costs.
- The utility savings realized in 2006 are not expected to persist in 2007. The OPG rebates credited in 2006 were \$6.52/MwH. The current OPG rebates are set at \$0.61/MwH, therefore, savings will not continue in 2007. Likewise, the energy savings from the Arena Retrofit Project will not be maintained as debt repayments will be made using these savings starting in 2007.
- The 2007 Recommended Operating Budget for Parks, Forestry and Recreation includes \$0.229 million net for higher fuel costs. This budget amount was recommended by Fleet Services.
- Concession revenue is likely to be underachieved in 2007 as well. The 2007 Recommended Operating Budget has not been adjusted to address this shortfall.

Section B: 2007 Operating Budget Overview

3-Year Operating Budget Overview

- Parks, Forestry and Recreation's 3-Year Operating Budget is directed, in part, by the Program's Strategic Plan, *Our Common Grounds*, as well as a number of Council-approved reports including *Parks & Recreation Service Improvement Priorities* and *Clean & Beautiful City*.
- In keeping with its service mandate, PF&R's 3-Year Operating Budget focuses on the following strategic priorities:
 - Setting and consistently achieving uniform service standards across the City of Toronto.
 - Contributing to the *Clean and Beautiful City* initiative through the Parks and Trees Renaissance Program.
 - Strengthening at-risk neighbourhoods by improving services and engaging youth in high needs communities.
 - Advancing the diversity of, and accessibility to, recreational programming.
 - Contributing to the development and maintenance of parkland and recreational infrastructure along the waterfront.
 - Improving Health & Safety training and compliance as well as instituting a Divisional Safety and Security Plan.
- The 2007 Recommended Operating Budget for Parks, Forestry and Recreation is \$226.146 million. This is \$9.942 million (4.6%) over the Program's net target of \$216.205 million. The Recommended Budget incorporates certain base expenditures and attempts to minimize their effects by recommending feasible reduction options (see pp. 13-14).
- Parks, Forestry and Recreation's 2007 Recommended Operating Budget would add 105.5 additional positions to the Program. All of these pertain to the new and enhanced services recommended for the 2007. The Division's staffing complement would thus increase from 4,005.3 to 4,110.8 approved positions.
- For 2007, salary and wage impacts alone account for an incremental net pressure of \$6.600 million net. This includes a cost-of-living adjustment of \$6.067 million and merit/step increases of \$0.572 million.
- The 2007 Recommended Operating Budget also incorporates a number of other base changes that are non-discretionary. Additional costs of \$1.216 million net arise mostly from collective agreements and from provincial legislation (i.e. Ontario Regulation 278/05 – Asbestos Management).

- To help mitigate the impact of its rising base costs, the 2007 Recommended Operating Budget for Parks, Forestry and Recreation includes a number of efficiency proposals as well as service and revenue adjustments. These recommended changes produce net savings of \$7.036 million
- The Program will continue to face mounting base pressures including rising salary, utility and other costs. In the absence of incremental revenues, service efficiencies and/or major cost cutting measures, PF&R will be challenged to meet the City’s affordability targets for 2008 and beyond.

Service Delivery - Challenges and Issues

The mission of Parks, Forestry and Recreation is:

Our City, Our Parks, Our Playground – to provide world-class parks, a healthy urban forest and a wide variety of leisure opportunities and recreation skills and experiences to the diverse communities of Toronto in order to steward the environment, support lifelong active living and contribute to child and youth development.

To achieve this vision, the Program is structured along the following service lines:

SERVICE AREA	DESCRIPTION
Parks	Provide clean, safe and well-maintained green space and park amenities for passive and permit use.
Community Recreation	Deliver recreation programs and services in a customer-driven, high quality, accessible, equitable and innovative manner. Programs and services are responsive to the needs and interests of diverse communities while meeting city-wide standards.
Urban Forestry	Ensure the planting, protection and maintenance of the Urban Forest
Strategic Services	Oversees the operation of ferry services and the City’s public golf courses. The program also supports partnership development, strategic planning and business services.
Parks Development and Infrastructure Management	Ensure that all facilities are operated to provide a safe, clean and efficient environment for all users and staff. Service includes planning, developing, maintaining and supervising facilities and assets.
Management Services	Provides financial planning and reporting, accounting, staff support, administrative support, health and safety compliance and labour relations services to the Division.
Divisional Coordination and Community Engagement	Supports and facilitates access, diversity, volunteerism, stakeholder engagement, adapted and integrated services. DCCE also manages coordination amongst the various divisions.

As the following chart illustrates, there are a number of social, environmental and financial challenges that impact on Parks, Forestry and Recreation’s ability to deliver service that meets public expectations.

<i>Social</i>		<i>Environmental</i>		<i>Financial</i>	
CHALLENGE	IMPACT	CHALLENGE	IMPACT	CHALLENGE	IMPACT
Growing population and increasingly varied leisure interests.	Unable to increase programs and infrastructure in step with demands. Conflict created among individuals and groups competing for space in community centres and parks and on trails. Better design, maintenance, education needed.	Increased litter in parks and no corresponding increase in resources to keep parks clean. 40% of park litter is household waste.	Undermines the condition and image of our parks and the larger city. Takes staff away from their parks maintenance role.	Limited financial resources and rising costs (wages, utilities, inflation). No access to funding sources beyond property tax and user fees.	Annual funding does not cover pressures of maintaining current services, let alone new or enhanced services. Limits our ability to address new challenges and respond to population growth, high-need areas, and changing demographics.
Changing demographics include growing ethno-racial diversity and an expanding seniors’ population.	Increased need for culturally appropriate and age-responsive programming.	City’s waste diversion strategy calls for significant reduction in amount of waste going to landfills.	Large amount of waste generated in parks and facilities. Need to introduce recycling and educate the public on keeping our parks clean.	Demand for new facilities and programs to address needs of under-served communities.	Must divert funding from one area to another, potentially impacting stable areas. Unmet demands and community expectations continue to exist.
Child poverty remains high. 30% of Toronto’s children live in poverty, and higher-poverty neighbourhoods have increased from 66 to 120 (1991-2001).	User fees are a barrier to full participation. Increased use of subsidy programs (e.g. Welcome Policy) and reliance on community partners.	Pesticide by-law: natural alternatives mean increased turf management costs. Sport fields and parks have been pesticide-free since 1999, but some public concern exists over appearance.	Increased funding needed to provide natural alternatives to pesticides and meet community expectations	Aging facilities and park infrastructure: 83% of major assets are over 20 years old; 27% are older than 40 years, requiring extensive renovation and repair.	Only most critical repairs are done. Enhanced state of good repair and preventative maintenance programs are needed to sustain current infrastructure.
Physical inactivity and obesity has risen dramatically among both children and adults.	With growing health problems, need to increase awareness of the issue and promote Parks, Forestry and Recreation services as a solution.	Asian longhorned beetle , an alien pest, can destroy large portions of the urban forest. Emerald Ash Boer alerts.	Over 15,000 trees removed. Requires infestation monitoring and collaboration with all government levels on containment strategies.	Differing service levels across Toronto: current service delivery model is based on former municipal practices.	Lack of city-wide service consistency is a public issue. Service expectations need to be addressed and prioritized.
Youth engagement: increased demand to provide positive choices and opportunities across the city and in high-need areas.	Requires consideration of need for youth outreach programs to develop leadership skills and job opportunities, with an emphasis on community partnerships.	West Nile Virus: a disease spread by mosquitoes that breed in watercourses and standing water.	Require watercourse monitoring to detect larvae, and measures to prevent possible spread of virus. Impact on clothing required by staff who maintain parks and ravines.	Sideloading of costs by other public agencies: educational funding formula resulted in fee increases for use of school space.	Besides reducing affordable community access to space, limits Parks, Forestry and Recreation’s ability to expand programs and meet after-school needs. \$11 million spent annually on fees could be better used providing service.

Recognizing the host of challenges that the Program faces and the need to invest in the various services that it delivers, the City has articulated a number of priorities that directly affects Parks, Forestry and Recreation. The 2007 Recommended Operating Budget makes progress on fulfilling

these priorities as well as facilitating the Program's ability to address some of the challenges for achieving its mission.

Mayor's Mandate

The 2007 Recommended Operating Budget for Parks, Forestry and Recreation directly addresses, through a number of new/enhanced initiatives, the following priorities outlined in the Mayor's Mandate:

- ***Invest \$13 Million in Toronto's 13 Priority Neighbourhoods Over the Next Four Years.***

Funding of \$2.283 million gross (\$0 net) has been recommended for the second phase of the After-School Recreation Care Program. This initiative provides families in the City's 13 priority neighbourhoods access to quality and affordable after-school programs for children 6 – 12. The ARC Program will expand from 10 sites in 2006 to approximately 37 sites in 2007, which each site servicing up to 60 children.

The 2007 Recommended Operating Budget for Parks, Forestry and Recreation also provides \$0.189 million in new funding for The Urban Farm, a six acre farm located in one of Toronto's priority neighborhoods (Jane/Finch). This program supplies youth and their communities with training and employment in organic farming. Activities include food production, distribution, and preservation, life skills training, community composting, workshops and environmental stewardship.

Finally, the "Investing in Families" program (\$0.380 million gross, \$0 net) is recommended for inclusion in the 2007 Recommended Operating Budget. This initiative is carried out by the Program, in conjunction with the Social Services Division, and provides integrated health, social, employment and recreation services to 275 single parent families with children under the age of six that are located in the Jane/Finch community.

- ***Implementation of a Ravine Improvement Team that will Clean, Beautify, and Improve Access and Stewardship to Toronto's Ravines:***

Presently, there is not a harmonized and coordinated approach City-wide for the removal of waste and debris from ravines and natural areas. The 2007 Recommended Operating Budget includes \$0.795 million to provide one crew each for the Scarborough/North York and Etobicoke/Toronto districts respectively, to proactively clean and remove waste from the various ravines in those areas. The recommended funding also supports, through the establishment of a Park Ranger program, enhanced by-law enforcement and the educating of park users on the impact of illegal dumping.

- ***Help to Clean Up Lake Ontario to Make Toronto's Beaches More Swimmable:***

Parks, Forestry and Recreation is responsible for maintaining Toronto's beaches in a clean and safe state for use by the public. The quality of the City's beaches, however, has steadily deteriorated as a result of increased litter, goose and gull excrement and public misuse. Accordingly, funding of \$0.470 million has been recommended to increase the grooming of each of Toronto's twenty beaches from twice weekly to four days per week, and to perform litter pick up, minor maintenance and public service each day for 30 weeks.

In addition, the Program will be a partner on the City-wide “Integrated Beach Management Strategy”. This \$0.2 million initiative will advise on potential beach improvements and will review operational constraints to beach use and development. Funding for the Strategy is included in the 2007 Approved Toronto Water Operating Budget.

- ***Create Vibrant Waterfront Communities with a Mix of Residential, Recreational and Research Facilities***

In 2007, the Toronto Waterfront Revitalization Corporation will complete and transfer four new waterfront projects to the Program: improvements at Marilyn Bell Park, phase one of a waterfront trail at Port Union Park, two regulation-sized sports fields in the Portlands, and a new waterfront park (HTO). The 2007 Recommended Operating Budget contains a total of \$0.306 million for their regular maintenance including litter pick up and landscaping.

- ***Make Toronto Greener by Improving Tree Management and Care***

There is currently a delay of 10 months for the Program to respond to a non-emergency request for tree inspection or service. As part of the *Clean and Beautiful City* initiative, funding of \$0.932 million has been incorporated into the 2007 Recommended Operating Budget for Parks, Forestry and Recreation to reduce the tree service backlog. The Program had historically experienced a tree service backlog of up to 24 months. With the additional funding, the objective is to reduce the service delay to 6 months.

\$0.147 million has also been recommended for the maintenance of natural environment areas. The Program currently plants thousands of small trees and shrubs in natural areas, but does not have the resources to maintain them. Accordingly, a budget increase is required to promote the survival and health of these plantings.

In addition, the 2007 Recommended Operating Budget for Parks, Forestry and Recreation contains \$0.313 million for the maintenance of newly planted trees. The added funding is needed to allow for the pruning and preservation of young trees, thereby improving their health and contributing to their proper care and development.

Section C: 2007 Recommended Base Budget

Table 3: 2007 Recommended Base Budget

(In \$000s)	2006 Appvd. Budget	2007 Recommended Base	Change		FY Incremental Outlook	
			2007 Recommended Base v. 2006 Appvd. Budget		2008	2009
	\$	\$	\$	%	\$	\$
GROSS EXP.	289,166.3	296,334.4	7,168.1	2.5	8,043.1	0.0
REVENUE	72,961.5	74,622.8	1,661.3	2.3	699.5	0.0
NET EXP.	216,204.8	221,711.6	5,506.8	2.5	7,343.6	0.0
Approved Positions	4,005.3	4,005.8	0.5	0.0		
NET TARGET		216,204.8			0.0	0.0
\$ Over / (Under) Program Target		5,506.8			7,343.6	0.0
% Over / (Under) Program Target		2.5%			3.40%	0.00%

2007 Recommended Base Budget

- The 2007 Recommended Base Budget of \$221.712 million net represents a \$5.507 million (2.5%) increase over Parks, Forestry and Recreation’s 2006 Approved Budget, which is the Program’s 2007 target. The 2007 Recommended Base Budget will largely serve to maintain service levels offered in 2006.
- Cost-of-living adjustments (COLA) that average 3.25% for 2007 are non-discretionary outlays that comprise \$6.067 million of the recommended gross expenditure increase of \$7.168 million.
- In total, budgeted revenue for 2007 is \$1.661 million greater than in 2006. However, the 2007 Recommended Base Budget does not account for continuing significant take-up of the “Welcome Policy” subsidy program nor the underachievement of revenue in several areas (i.e. marine, golf and concessions).
- The 2007 Recommended Base Budget results in 4,005.8 approved positions. This is virtually unchanged from the staff complement level in 2006.

2007 Key Cost Drivers

- The additional \$7.168 million in expenditures recommended for the Program’s Base Budget is needed to fund the annualized cost of 2006 approved new services, merit and step increases, union settlements and wage increases for exempt staff, non-salary economic factors, as well as other base changes (i.e. wage harmonization issues that resulted from amalgamation).

- To alleviate some of this expenditure impact, the 2007 Recommended Base Budget incorporates, amongst others, the following incremental revenues:
 - A 3% fee increase for recreation memberships, permits, registrations and golf (\$0.816 million)
 - Instituting parking fees at waterfront parks (\$0.297 million)
- Recognizing that the rationalization of front-line service can only be justified where there is no adverse impact on the public, the 2007 Recommended Base Budget includes just one service reduction: the closing of 7 outdoor pools in non-priority neighbourhoods. This measure is warranted as the facilities' utilization is limited, their maintenance costs are prohibitive and there are indoor and outdoor pools in close proximity that can accommodate any overflow of users. This reduction secures savings of \$0.455 million in 2007.
- To further constrain the growth of the base budget, various efficiencies are recommended, thereby generating additional savings of \$5.467 million:
 - Foregoing most of the non-salary economic factors that the Program has been allocated (\$2.795 million)
 - Sustaining one-time reductions from the prior year (\$0.616 million)
 - Absorbing the increase needed to fund higher benefit costs for permanent staff (\$1.431 million)
 - Reducing, as a result of minimal demand, the number of TDSB pools that are utilized from 41 to 34 (\$0.625 million). Beginning in May 2007, existing PF&R programs will be shifted from these 7 TDSB pools to City facilities nearby, all of which have available capacity. This re-allocation will achieve incremental net savings of \$0.284 million in 2008.

2008 and 2009 Outlook: Net Incremental Impact

A number of pressures emanate from the 2007 Recommended Operating Budget for Parks, Forestry and Recreation. These will have a significant net incremental impact on the Program's 2008 operating budget:

- COLA of approximately \$6.249 million
- A preliminary Merit/Step estimate of \$2.000 million
- Annualizations of new/enhanced services total \$1.216 million

Although some of the efficiencies and revenue adjustments included in the 2007 Recommended Operating Budget are expected to produce additional savings of \$1.121 million, the initial outlook on the 2008 operating budget is a pressure of \$8.560 million net, or a 3.8% increase.

The 2007 Recommended Operating Budget does not directly impact the 2009 operating budget. Moreover, the outlook for 2009 does not include a provision for COLA, as the increase is subject to future negotiations, nor for merit/step increases, since these amounts are yet to be determined.

The 2008 and 2009 outlooks also do not take into account a number of anticipated pressures, such as the operating impacts of new waterfront capital projects, that the Program will be obligated to service (see Issues section, p. 23).

Section D: 2007 Recommended Service Priorities

Table 4: Summary of 2007 New / Enhanced Service Priorities (In \$000s)

Description	2007 Recommended		Rec. New Positions	Net Incremental Impact	
	Gross Exp.	Net Exp.		2008	2009
	\$	\$	#	\$	\$
(a) Enhanced Service Priorities - Council Approved:					
Reduce Tree Service Delay	932.4	932.4			
After-School Recreation Care Program - Phase 2	2,283.4	0.0	56.0		
(b) Enhanced Service Priorities - Program Initiated:					
Operating Impact of Capital	1,034.8	1,023.0	14.3	467.2	
Operating Impact of Capital (Waterfront)	306.1	306.1	2.9	93.7	
Maintenance of Natural Environment Areas - Planting	146.7	146.7	2.1		
Divisional Security Plan	500.0	500.0	5.0		
Beach and Waterfront Maintenance	470.3	470.3	6.8	153.9	
Transfer of 1 Position to PMMD	72.7	72.7		(4.0)	
Sub-Total Enhanced Services	5,746.4	3,451.2	87.1	710.8	0.0
(a) New Service Priorities - Council Approved:					
Investing in Families	380.0	0.0	2.0		
(b) New Service Priorities - Program Initiated:					
Ravine and Watercourse Maintenance with Park Ranger Prg	794.7	794.7	11.2	440.6	
Toronto Urban Farm	188.8	188.8	4.7	64.7	
Sub-Total New Service Priorities	1,363.5	983.5	17.9	505.3	0.0
Total Recommended New / Enhanced Service Priorities	7,109.9	4,434.7	105.0	1,216.1	0.0

2007 Recommended Service Priorities

Recommended Enhanced Services

Enhanced Service Priorities – Council Approved:

Reduce the Tree Service Delay (\$0.932 million net) – As a result of budget constraints, funding for this initiative was partially deferred from 2006 to 2007. The \$0.932 million is required to reduce the

tree service backlog to six months from 10 months currently. This item constitutes a part of the *Clean and Beautiful City Action Plan* that Council approved at its meeting on November 30, 2004.

Phase 2 of the After-School Recreation Care Program (\$2.283 million gross, \$0 net) – At its July 2006 meeting, Council approved the 3-year After-School Recreation Care Program (ARC), a new initiative that addresses child care and recreation needs of approximately 3,600 children ages 6 to 12 living in Toronto's priority neighbourhoods. ARC is a joint initiative of the City's Children's Services and Parks, Forestry and Recreation Divisions. The program, which involves and engages children in activities that promote healthy development, is led by PF&R and is located at select schools in Toronto's 13 priority neighbourhoods, with a maximum of 60 participants at each location. The program operates Monday through Friday from 3:30 p.m. to 6 p.m. throughout the school year. The current per day fee of \$4 will be increasing to \$5 in 2007.

Enhanced Service Priorities – Program Initiated:

Operating Impact of Capital (\$1.023 million net) – The following new or renovated capital assets will require funding for programming and/or maintenance in 2007: Birchmount Stadium, new soccer fields in Etobicoke, Berner Trail Park, a new skateboard park in Ward 6, Pinery (Telfer) Park, McCowan Park, Downsview Memorial Parkette, newly planted trees across the City, Port Union Village Common, 7 new parks in Etobicoke, 9 new parks at Morningside Heights, Banting Park, Michael Power Site, Wanita Site, South Etobicoke Community Centre (Father John Redmond), and JJ Piccinini Fitness Centre (see Appendix 3 for details on each).

Operating Impact of Waterfront Capital (\$0.306 million net) – Funding is needed for the upkeep of 4 new capital projects that the Toronto Waterfront Revitalization Corporation (TWRC) has or will complete in 2007 and which PF&R must now maintain: new sports fields in the Portlands, Marilyn Bell Park, HTO Park, and phase 1 of the new Port Union Waterfront Park (see Appendix 3 for details on each).

Maintenance of Natural Environment Areas (\$0.147 million net) – Thousands of small trees and shrubs are planted by the Forestry Division in natural areas every year. However, the Program does not have the resources to properly ensure their preservation. The 2007 Recommended Operating Budget therefore includes funding for the adequate watering, weeding and pruning of natural area plantings throughout the City.

Division Safety & Security Plan (\$0.500 million net) – Funding is recommended to boost safety and security at recreational centres across the City. Enhanced support from Corporate Security as well as the introduction of a new mobile security patrol team will help prevent the threat, and reduce the incidences of violence at Program facilities. This measure is a first step towards providing staff and patrons a consistent, standardized level of safety and security at the Program's various recreational sites. It is recommended, however, that the funding required for future phases of the Plan (\$1.004 million in 2008 and \$0.680 million in 2009) be considered only after the completion of a City-wide security review.

Beach & Waterfront Maintenance (\$0.470 million net) – To improve the cleanliness and aesthetics of Toronto's 20 public beaches, the 2007 Recommended Operating Budget for Parks, Forestry and Recreation earmarks funding for daily litter pick up as well as beach grooming four times weekly.

Transfer of 1 Position to the Purchasing & Materials Management Division (\$0.073 million) - The Program has had chronic difficulty in spending its yearly capital budget allocation. The recommended transfer to PMMD of one vacant position that will be dedicated solely to PF&R projects will help the Program improve upon its capital spending rate.

Recommended New Service Priorities

New Service Priorities – Council Approved:

Investing in Families Program (\$0.380 million gross, \$0 net) – At its meeting on June 27, 28 and 29, 2006, Council adopted the *Systems of Survival, Systems of Support: An Action Plan for Social Assistance in Toronto* report. This report recommended that funding of up to \$3.2 million be drawn from the National Child Benefit Supplement Reserve Fund to support two initiatives: “Investing in Neighbourhoods” and “Investing in Families”. The overall objective of the latter is to improve the economic, health and social status of single parent families receiving social assistance in Toronto. Through this initiative, critical employment preparation and retention, child care, recreational and health services will be provided to single parent families. The program will start with up to 275 single parent families residing in the Jane-Finch community, with at least one child over the age of six. Based on program success, and available funding, the initiative may be expanded to other communities. Although this initiative is administered by the Social Services Division, the recreational component of this program will be managed by Parks, Forestry and Recreation, which Social Services will fund through an Interdepartmental Recovery.

New Service Priorities – Program Initiated:

Ravine and Watercourse Maintenance with a Park Ranger Program (\$0.795 million net) – Toronto has experienced a growing problem with illegal dumping in recent years. Due to the expansive nature of the park system, such activity is often undetected. The Program undertakes maintenance and clean-up of ravines and watercourses on behalf of the Toronto Region Conservation Authority, but there is no proactive program for the prevention and removal of debris from these areas. Instead, staff are redeployed on an ad-hoc basis to respond to sites that require extensive and/or complex clean up. The recommended funding will assign teams specifically to undertake this work in particular districts so that service levels are not reduced in other areas. As a second component of this initiative, the Park Ranger program will support by-law enforcement and prevention, with a focus on educating park users on the negative ecological impact of illegal dumping.

Toronto Urban Farm (\$0.189 million net) - This initiative was launched in 2003 through the City’s Community Garden Program, in partnership with the Toronto Region Conservation Authority, and supported by diverse community agencies and organizations. The Toronto Urban Farm, which is located on an eight-acre property in the Jane and Finch neighbourhood, engages youth and the community in organic farming, leadership development, social entrepreneurship, health promotion, environmental stewardship and youth employment. To sustain this program, additional money is incorporated into the 2007 Recommended Operating Budget for Parks, Forestry and Recreation.

Issues for Discussion

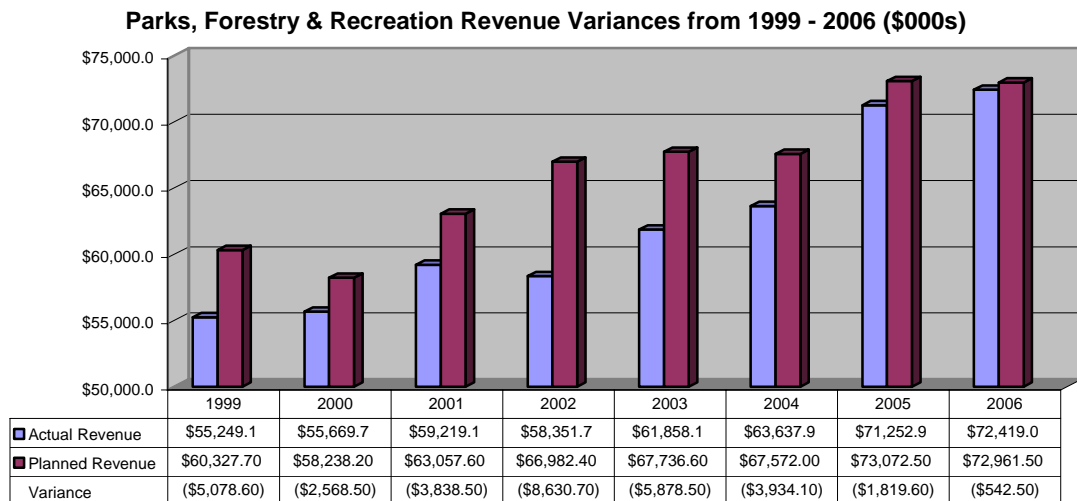
2007 Operating Budget Issues

Systemic Challenges

Although PF&R’s base budget was increased to restore service levels in 2005 and although additional funds were allocated within the Program’s 2005 and 2006 approved operating budgets for *Clean and Beautiful City* and other initiatives, the Program continues to be challenged by rising public expectations and a number of systemic constraints. In light of the City’s financial situation, the Program is presently looking to address the following issues that have financial implications for both the City and PF&R’s service delivery:

a) Revenue Variances

Parks, Forestry and Recreation has consistently struggled to achieve its revenue budget since amalgamation:



Although there have been extraordinary circumstances over the last few years (i.e. a labour strike in 2002, SARS and the Blackout in 2003 and the storm flooding in August 2005) and while the variance between actual and planned revenues has dwindled from a high of \$8.631 million in 2004 to \$0.543 million in 2006, there is still an underlying systemic issue in achieving revenue targets that, historically, have been out of reach.

To address this chronic deficit, the Program is presently undertaking a review of all revenue items. In October 2004, the *Revenue Review - Phase I* was reported to the Economic Development and Parks Committee (Report 8, Clause 1). The Phase I report looked specifically at the impact of the City’s low-income subsidy program known as the “Welcome Policy” on the Program’s revenues from program registration. The report noted that Welcome Policy registrations had increased from 3,000 in 1999 to more than 30,000 in 2004. As a result

of consideration of this report, a registration revenue shortfall of \$2.500 million was subsequently funded in the 2005 Operating Budget.

On July 4, 2005, the Program presented *Revenue Review – Phase II* to EDPC (Report 7, Clause 7). This report examined the revenue lines in the budget and compared the budgeted figures to actual experience. It was noted that overall, revenue performance for drop-in programs, memberships, inter-departmental charges, recoveries, and other revenue sources have been meeting or exceeding budgets. However, actual revenues for registration program user fees, ferry operations, golf courses, ski, permitting, concessions, leases and agreements have not been meeting annual budgets.

As part of Phase III of the Revenue Review, the Program will focus on these key revenue shortfall areas for the purpose of developing remedial business strategies that include costing models, pricing thresholds and revenue strategies. In addition, PF&R will report back on an analysis of the Welcome Policy and Priority Centre policies and administrative processes. Phase III is expected to start after the completion of the Program's Full Costing and Pricing Study.

b) Expenditure Growth – Pressure for Additional Services

In the immediate years after amalgamation, funding for Parks, Forestry and Recreation was reduced significantly. To achieve budget affordability targets, rather than cut services or service levels, the Program focused on increasing existing revenue (such as golf and ferry) and looking for new or enhanced revenue generating opportunities. In many instances, however, anticipated new revenue sources did not materialize or were exceedingly optimistic while increased fees adversely impacted user levels. The result has been a historical under-achievement of revenue and unfavourable end-of-year variances.

In addition, non-discretionary base expenditures have been rising and will continue to increase in the coming years. For instance, like all City Programs, PF&R is challenged to meet its affordability target due to wage increases that have averaged around 3% as well as utility costs that are steadily escalating. More recently, the Program has also been required to fund various labour relations costs and/or collective bargaining impacts. In an effort to mitigate these inflationary impacts and to bring the Program within budget, PF&R has reviewed options for service level reductions. The concern, however, is that any significant reductions to meet financial targets result in service cuts that do not align with public demands. Moreover, broad-based reductions to program offerings would not only contravene Council's policy agenda and the Mayor's Mandate, but such an approach would also be counter-productive.

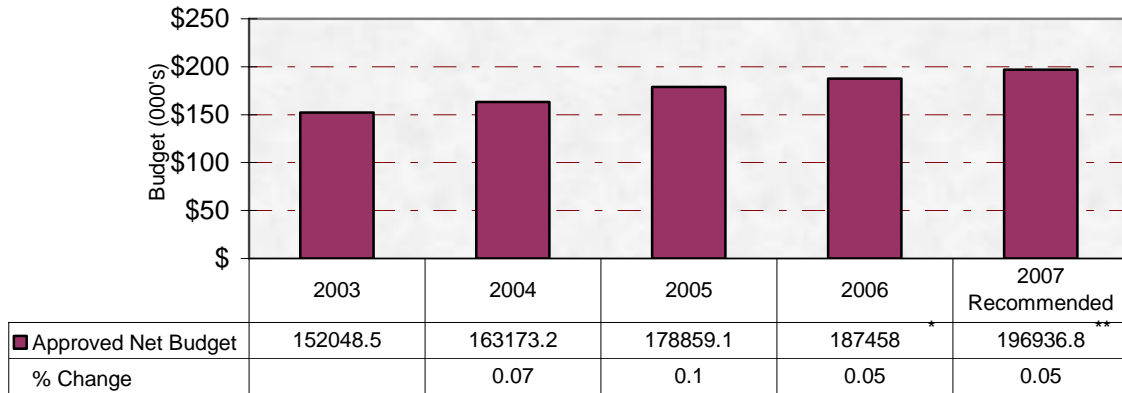
Parks, Forestry and Recreation's mission, as articulated in its strategic plan *Our Common Grounds*, is to provide environmental stewardship and encourage lifelong active living, especially amongst children and youth. Any major service cuts would not only compromise the Program's mandate, but would also have a profound effect on Toronto residents. Physical inactivity among Canadians is of increasing concern to all levels of government and service providers. Recent health data suggests as many as 55% of Ontarians are not active enough to achieve optimal health benefits. Increasingly, young Ontarians are not active enough for optimal growth and development, and childhood obesity levels are at a historic high. The rise in inactivity and obesity among Ontarians places increasing demands on our already burdened

health care system. Accordingly, without the requisite investments in Parks and Recreation, the well-being of Toronto’s citizenry will be at risk.

c) Options for Sustainability

Funding for Parks, Forestry and Recreation has grown significantly in recent years:

**Parks, Forestry & Recreation Operating Budget
Net Budget Summary 2003-2007(\$000s)**



* excludes \$24.649M for transfers that are net zero corporately
 ** excludes in-year technical adjustments

While much of this net expenditure increase reflects funding for non-discretionary base costs, such spending growth is not sustainable. The need for adequate and accessible parks and recreational services must be balanced with financial considerations, particularly given the City’s fiscal deficit. In the current funding climate, it is incumbent upon all City Programs, Agencies, Boards, and Commissions to review all options for reducing net expenditures in a manner that does not overly impair public service.

Although budget reductions that would compromise the integrity of Parks, Forestry and Recreation services cannot feasibly be considered, in the longer term, viable opportunities for reducing the Program’s net budget pressure must be examined. Some options for constraining future budget growth include:

- Reviewing the existing program mix to better suit service demand;
- Investigating options for service delivery including partnerships with outside agencies and organizations;
- Consulting with other orders of government to identify programs that may be eligible for new or additional provincial/federal funding;
- Partnering with private sector firms, especially larger corporations, that are interested in investing and giving back to the community;
- Evaluating user fees in order to better reflect the cost of providing service;
- Expanding Parks, Forestry and Recreation’s volunteer base; and
- Assessing program capacity and utilization so as to make better use of existing finite resources.

Analyzing these and other options for maintaining quality, cost-effective programming is not only an expectation of Council, but is a sentiment that is echoed by the public as well. In 2004, as part of its ReActivateTO! Project, Parks, Forestry & Recreation heard from over 600 staff and 2,000 residents about the Division's programs and services. During this consultation process, which involved meetings, surveys and correspondence, citizens suggested that emphasis of the Division should be on the maintenance of existing assets and on reviewing the quality and mix of its program offerings. In fact, it was noted that "the highest priority for improving service to the public is to provide safe, clean, well maintained parks and facilities as well as recreation programs that people want and at times that are convenient to users."

Likewise, at the "Listening to Toronto" sessions that were convened in January and November 2004, a common theme from the 2,000 participants was that:

people recognize that City revenues are limited, and expect program and service objectives to be achieved in an efficient and economic manner; people are also interested in exploring creative and innovative ways of using resources; this includes conducting program review, making better use of existing community facilities and public spaces, and improving and maintaining what we already have.

Additional Capital Staff

The Program's Capital Projects section is seeking additional staff (\$0.082 million gross, \$0 net) in order to improve the timely completion of capital initiatives. Since the focus of staff is on the Program's state-of-good repair backlog, there is limited involvement with studies and research, as well as project planning and approvals, despite the increased need to do so. Furthermore, there are heightened demands for staff to consult and communicate with the public as well as to provide support to public officials. Funding for two additional positions will help to ensure that capital projects are better researched, planned and implemented, particularly those that involve partnership or public involvement.

Despite its net zero status, this "Capital Project Service Improvement" request is not recommended at this time. As part of the 2007 Approved Capital Budget for Parks, Forestry and Recreation, it was recommended that, in conjunction with the city Manager's Office and other appropriate staff, the Chairs of the Budget Committee, the Parks and Environment Committee, and the Community Development and Recreation Committee convene a task force to investigate ways of improving the capital project completion rate within Parks, Forestry and Recreation. This staffing request will be reviewed as part of this working group's mandate as well as within the context of a City-wide corporate review of activities supported through capital financing. The later has been necessitated by upcoming changes in municipal accounting rules

Service Priorities

In October 2004, Council adopted PF&R's *Service Improvement Priorities for 2005-06* report. This document outlines service improvements that the Program seeks to implement in order for it to achieve the strategic goals observed in *Our Common Grounds*.

Funding for a number of the recommended initiatives was approved in prior budgets including:

- Implement a Youth Recreation Strategy
- Outreach to new immigrant youth and youth with disabilities
- Increase grass cutting and litter pick up in parks
- Rejuvenate horticultural beds
- Implement the private tree by-law
- Improve the Youth Outreach Worker Program

Similarly, the 2007 Recommended Operating Budget for Parks, Forestry and Recreation incorporates some further initiatives:

- Development of a Park Ranger program
- Reduce the tree service delay

Despite instituting these various service enhancements in recent years, however, many of the report's recommended actions are still outstanding. Among the remaining items to be implemented:

- A preventative maintenance program
- Increase weeding of shrub beds
- Remove and replace dead trees
- Increase garbage collection, recycling and waste diversion
- Improved tree maintenance and protection
- Improve the maintenance of trails and signage

In total, it is estimated that over \$10 million is required to address the outstanding balance of recommended items. Considering the present fiscal environment, the incremental operating impact produced by the *Service Improvement* and other PF&R reports is currently not affordable. In order to achieve its net affordability targets in the future, the Program may be forced to phase, defer or forego service expansion, unless opportunities to reallocate existing resources to these service priorities are identified.

2008 and 2009 Outlook Issues

Operating Impacts of Capital Initiatives

Aside from the expected operating pressures noted above, the Program's 5-Year Capital Plan will also place heavy demands on PF&R's future operating budgets. In 2007 alone, the capital impact on the operating budget is \$1.3 million. This figure is expected to increase substantially in the coming years. Between 2008-2011, the Program's Capital Plan calls for the development of a number of new parks and recreational facilities. For example, four new/expanded community centres are planned for completion in the next four years (York, Jenner Jean-Marie, Warden Corridor and North District). While details of the Program's operating impacts will be identified in the context of the 2008 Capital Budget process, it is expected that the cost to staff, program and maintain these and other assets will exert a tremendous pressure on the Program's upcoming operating budgets.

In addition to its own capital projects, PF&R will also take possession of various completed Waterfront properties. As the Toronto Waterfront Revitalization Corporation (TWRC) develops new

sports fields, parkland and facilities along the waterfront, these assets will be transferred to the Program. It is PF&R that will be responsible for their operation and maintenance. In 2007, the Program received four new waterfront properties (Port Union Waterfront Park – phase 1, Marilyn Bell Park, Portlands Sports Fields, HTO Park). Each property requires approximately \$0.1 million yearly to properly maintain. As more of these lands and assets come on stream in the next few years, their costs will need to be accommodated. Once again, this will place significant additional stress on the Program's future operating budgets.

Presently, the Waterfront Operating Impact Committee estimates the overall incremental net pressure to exceed \$19.0 million for waterfront capital projects planned between 2008 and 2021. The Committee will be reporting back in Spring 2007 on these specific projects and their corresponding funding requirements.

Issues Referred to 2007 Operating Budget Process

Water Efficiency Plan

The 2006 Capital Budget for Toronto Water reflected continued implementation of the Water Efficiency Plan. The Plan was adopted by Council in 2004 and continued to be rolled out in 2006. The overall Plan is estimated to be completed in 2012. It has been designed to reduce water use across the City by 15% of the 2012 projected demand. It will improve operating efficiency of Water Production and Distribution and will be eventually reflected in improved performance measures. In addition, the Plan is estimated to save an equivalent of approximately \$220.000 million in water and wastewater treatment infrastructure expansions.

Currently, external stakeholders in Toronto are implementing water efficiency strategies as part of their operations. Given the Parks, Forestry and Recreation Program's consumption of water, Council adopted the following recommendation as part of the 2006 Approved Toronto Water Operating Budget:

The Deputy City Manager for the Parks, Forestry and Recreation Program, in consultation with the Acting Deputy City Manager for Toronto Water, identify potential water efficiency strategies regarding its operations and that the General Manager of Parks, Forestry and Recreation report to the Budget Advisory Committee prior to the start of deliberations for the 2007 Capital Budget process, on the strategies to improve water efficiency and costs of these initiatives.

This report back has not yet occurred and is now expected to be come forward in time for the 2008 Capital Budget process.

Moreover, as the Program manages but does not pay for the water that it utilizes, during the 2007 Operating Budget process, Council adopted the following recommendation in approving the 2007 Recommended Operating Budget for Toronto Water:

The Deputy City Manager and Chief Financial Officer and the Deputy City Manager for Toronto Water report to the Budget committee prior to its deliberation of the 2008 Operating Budget on a plan for phasing in the implementation of collection of water billing from the Parks, Forestry and Recreation Program.

Appendix 1

**Summary of Recommended Base Budget Changes
From 2006 Approved Budget**

(In \$000s)	Summary of 2007 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2008	2009
		\$	\$	\$	\$	\$
2006 Council Approved Operating Budget	3,914.1	283,695.5	71,957.2	211,738.3	0.0	0.0
In-year approvals and technical adjustments	91.2	5,470.8	1,004.3	4,466.5		
Corporate adjustments	0.0	0.0	0.0	0.0		
2006 Approved Operating Budget	4,005.3	289,166.3	72,961.5	216,204.8	0.0	0.0
Prior year impacts	3.0	297.6	(25.0)	322.6		
Zero base items						
Economic factors		11,004.2	0.0	11,004.2	8,249.0	
Adjusted Base Budget	4,008.3	300,468.1	72,936.5	227,531.6	8,249.0	0.0
Other base changes	12.5	1,855.5	400.0	1,455.5	135.1	
Base revenue changes			240.0	(240.0)	80.0	
Recommended Service Level Adjustments:						
Service efficiencies		(5,524.2)	(57.0)	(5,467.2)	(284.0)	
Revenue adjustments			1,113.3	(1,113.3)	(836.5)	
Minor service impact						
Major service impact	(15.0)	(465.0)	(10.0)	(455.0)		
Total Recommended Base Adjustments	(2.5)	(4,133.7)	1,686.3	(5,820.0)	(905.4)	0.0
2007 Recommended Base Budget	4,005.8	296,334.4	74,622.8	221,711.6	7,343.6	0.0
2007 Program Operating Target	N/A	N/A	N/A	216,204.8	0.0	0.0
% Over (Under) Program Target				2.5%	3.4%	0.00%
% Over (Under) 2006 Appvd. Budget				2.5%	3.4%	0.00%

Appendix 2
Summary of Service Level Adjustments

Appendix 3

Summary of 2007 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 2006 \$	Proposed Withdrawals (-) / Contributions (+)		
			2007	2008	2009
			\$	\$	\$
Vehicle Reserve Fund	XQ1201	4,928.6	(5,664.4)		
Racquet Sports (L'Amoreaux)	XR3009	464.8	(80.0)		
Insurance Reserve Fund	XR1010	13,180.2	(3,820.3)		
National Child Benefit	XR2102	21,298.0	1,000.0		
Harbourfront Parkland	XR3200	8,168.7	25.0		
Racquet Sports	XR3009	464.7	45.0		
Scarborough Development	XR2012	22,254.8	180.0		
Total Reserve / Reserve Fund Draws / Contributions		70,759.8	(8,314.7)	0.0	0.0