

Analyst Briefing Notes

Budget Committee

(January 28, 2008)

2008 OPERATING BUDGET

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January 25, 2008

2008 OPERATING BUDGET

Executive Summary

- The 2007 preliminary year-end net expenditure of \$18.272 million is \$1.298 million or 6.6% below the 2007 Approved Budget of \$19.570 million. This favourable variance is largely attributable to under-spending of Councillors' Office Budgets and their Staff Salary Budgets. The under-spending also includes savings totalling \$0.050 million arising from cost-containment measures implemented at the end of July, 2007.
 - The 2008 Recommended Budget does not incorporate any of the 2007 savings, as these are deemed to be one-time.
- The 3-Year Operating Budget provides funding for City Council to formulate the City's strategic direction, priorities and policies, and to enable Councillors to act in their role as representative of their constituents and of the City. It also provides funding for the City's Integrity Commissioner's Office.
- The 2008 Recommended Operating Budget for City Council is 1.9% (\$0.373 million) over the Program's 2007 Approved Operating Budget.

Table 1: 2008 Recommended Budget

(In \$000s)	2007		2008 Recommended Operating Budget			Change - 2008 Recommended from 2007 Approved Budget		FY Incremental Outlook	
	2007 Approved Budget	2007 Projected Actual	2008 Base	2008 New /Enhanced	2008 Operating Budget			2009	2010
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	19,570.4	18,325.6	19,943.7	0.0	19,943.7	373.3	1.9	40.7	105.6
REVENUE	0.0	53.2	0.0	0.0	0.0	0.0	N/A	0.0	0.0
NET EXP.	19,570.4	18,272.4	19,943.7	0.0	19,943.7	373.3	1.9	40.7	105.6
Approved Positions	181.0	181.0	181.0	0.0	181.0	0.0	0.0	0.0	0.0
TARGET			19,570.4		19,570.4				
\$ Over / (Under) Program Target			373.3		373.3				
% Over / (Under) Program Target			1.9%		1.9%				

- The 2008 Recommended Operating Budget for City Council is \$19.944 million net. The Recommended Budget does not include any new/enhanced service priorities. Approval of the

2008 Recommended Operating budget will result in no changes to the staff complement for City Council.

- The 2009 and 2010 Outlook includes an estimated 2% market rate adjustment for Councillors totalling \$0.104 million in 2009 and \$0.106 million in 2010. These adjustments are based on the estimated Consumer Price Index (CPI) for Toronto. The 2009 increase of \$0.104 is partly offset by the reversal of one extra day's salary cost of \$0.064 million resulting in a net incremental increase of \$0.041 million. There are no provisions included in the Outlook for COLA increases for Councillors' staff, since these are subject to future negotiations.
- The 2008 Recommended Base Budget is \$19.944 million or 1.9% over the 2008 target. The base budget incorporates COLA and related fringe benefit increases totalling \$0.372 million, merit and step increases of \$0.007 million, an additional day's pay of \$0.060 million, and other non-discretionary expenditure increases of \$0.033 million for office telephones based on past experience. The increases are partly offset by an annualized salary-cost reduction of \$0.022 million arising out of the deletion of one position in 2007.
- City Council, at its meeting of December 11, 12 & 13, 2007, adopted a motion to eliminate the purchase of 2008 Blue Jays home game tickets resulting in a savings of \$0.077 million.
 - City Council's 2008 Recommended Operating Budget has been reduced by \$0.77 million and it is recommended that the funding be added to the Community Partnership and Investment Program (CPIP) grant funding.
- Toronto City Council consists of the Mayor and 44 Councillors, one representing each of the City's wards. The City Council 2008 Recommended Operating Budget maintains 2007 service levels to support the 44 Councillors and their staff. In addition, funding is provided for the Office of the Integrity Commissioner.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for the City Council of \$19.944 million gross and net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Councillors' Salaries & Benefits Budget	5,198.6	5,198.6
Councillors' Staff Salaries & Benefits Budget	10,846.1	10,846.1
Councillors' Office Expenses Budget	2,336.4	2,336.4
Councillors' Business Travel Expenses Budget	50.0	50.0
Councillors' General Expenses Budget	1,312.6	1,312.6
Integrity Commissioner's Office Budget	200.0	200.0
	<hr/>	<hr/>
Total Program Budget	19,943.7	19,943.7
	<hr/>	<hr/>

Section A: 2007 Budget Variance Analysis

Table 2: 2007 Budget Variance Review

	2006 Actuals	2007 Approved Budget	2007 Projected Actuals*	2007 Appvd. Budget vs Projected Actuals Variance	
(In \$000s)	\$	\$	\$	\$	%
GROSS EXP.	18,450.1	19,570.4	18,325.6	(1,244.8)	(6.4)
REVENUES	0.0	0.0	53.2	53.2	N/A
NET EXP.	18,450.1	19,570.4	18,272.4	(1,298.0)	(6.6)
Approved Positions	182.0	181.0	181.0	0.0	0.0

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

2007 Experience

The projected preliminary year-end expenditure is expected to be \$18.272 million net as per the 3rd Quarter Variance Report. This favourable variance of \$1.298 million is primarily due to some Council offices not spending their full office budget allocation of \$53,100. This has resulted in a net saving of \$0.593 million. In addition, \$0.563 million was under-spent for Councillors' Staff salaries and benefits. The cost-containment measures implemented at the end of July, 2007 resulted in a saving of \$0.050 million by delaying the implementation of a Constituency Management database application module for Councillors. In addition, the Program received unbudgeted revenue of \$0.053 million from TTC to cover costs of a council staff person working on TTC activities.

2007 Cost Containment Savings

City Council achieved a one-time cost containment saving of \$0.050 million in 2007 by delaying the implementation of a Constituency Management database application module for Councillors, as highlighted in the table below:

Net Cost Containment Savings	2007 (\$000s) Savings	2008 (\$000s) Continued Savings	Comments
Hiring Freeze Savings:			
None			
Sub-total	0.0	0.0	
Service Level Adjustments:			
None			
Sub-total	0.0	0.0	
Discretionary Savings:			
Delay in developing and implementing a constituency management application for Councillors	(50.0)	0.0	One-time
Sub-total	(50.0)	0.0	
TOTAL COST CONTAINMENT	(50.0)	0.0	

Impact of 2007 Operating Variance on the 2008 Recommended Budget

The savings realized in 2007 are not reflected in the 2008 Recommended Operating Budget. Staff salaries are expected to be fully expended in 2008.

Cost containment savings as a result of the delay in implementing a Constituency Management database application module in 2007 are not recommended to continue in 2008. However, City Council may wish to extend the deferral. (Please see page 10).

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

- City Council advocates the economic, social and environmental vitality of the City of Toronto. It sets corporate priorities and strategic direction.
- The 3-Year Operating Budget supports City Council's objectives. The Key Strategic Directions and Priorities for this Program include:
 - Advocating the City's needs with other orders of government
 - Facilitating active participation of community involvement in all aspects of civic life
 - Responding to and supporting the diverse needs and interests of its constituents
 - Safeguarding public assets and ensuring efficient use of City resources
- The 2008 Recommended Operating Budget for City Council is \$19.944 million. This is \$0.373 million (1.9%) over the Program's net target of \$19.570 million.
- For 2008, salary impacts account for an incremental net pressure of \$0.417 million net. This includes a cost-of-living adjustment of \$0.372 million and an additional day's pay of \$0.060 million.

Challenges and Issues

- The role of Council is to represent the public and to consider the well-being and interests of the City. It develops policies, determines the services to be provided to the City, ensures that policies and practices are in place to implement the decisions of Council and maintains the financial integrity of the City.
- The 2008 Recommended Base Budget for City Council in the amount of \$19.944 million maintains 2007 service levels.

Section C: 2008 Recommended Base Budget

Table 3: 2008 Recommended Base Budget

	2007 Approved. Budget	2008 Recommended Base	Change 2008 Recommended Base vs. 2007 Approved Budget		FY Incremental Outlook	
					2009	2010
(In \$000s)	\$	\$	\$	%	\$	\$
GROSS EXP.	19,570.4	19,943.7	373.3	1.9	40.7	105.6
REVENUE	0.0	0.0	0.0	NA	0.0	0.0
NET EXP.	19,570.4	19,943.7	373.3	1.9	40.7	105.6
Approved Positions	181.0	181.0	0.0	0.0	0.0	0.0
NET TARGET		19,570.4			0.0	0.0
\$ Over / (Under) Program Target		373.3			40.7	105.6
% Over / (Under) Program Target		1.9%			0.2%	0.5%

2008 Recommended Base Budget

- The 2008 Recommended Base Budget of \$19.944 million net represents a \$0.373 million (1.9%) increase over City Council's 2007 Approved Budget. The 2008 Recommended Base Budget will serve to maintain service levels offered in 2007.
- Cost-of-living adjustments (COLA) and other salary cost adjustments totaling \$0.417 million net are included in the recommended gross expenditure increase of \$0.450 million.
- The 2008 Recommended Base Budget maintains the 2007 approved staffing level of 181.

2008 Key Cost Drivers and Reduction Strategies

The additional \$0.450 million in expenditures recommended for the Program's Base Budget is needed to fund salary cost increases including COLA and an additional day's pay. However, this pressure is partly offset by the Council's decision to eliminate Blue Jay tickets purchases, for Councillors, resulting in savings of \$0.077 million.

2009 and 2010 Outlook: Net Incremental Impact

No COLA estimates are included in the 2009 and 2010 Outlook for the Councillors' staff since the increase is subject to future negotiations. However, the Outlook includes an estimated 2% market rate adjustment for Councillors based on the current Toronto Consumer Price Index (CPI). No other incremental impacts are anticipated over the next two years.

Section E: Issues for Discussion**2008 Operating Budget Issues****2008 Cost Containment Savings - \$0.060 million**

The cost containment initiative implemented in July 2007, resulted in delaying the development of a Constituency Management database application system for Councillors. This deferral resulted in a saving of \$0.050 million in 2007. The City Council's 2008 Recommended Operating Budget does not include a reduction with the continued deferral of the application development. However, Council may want to consider extending the deferral.

Issues Referred to the 2008 Operating Budget Process**Elimination of Blue Jay Ticket Purchases for Councillors**

The City pays for seasons tickets for Blue Jay's games and then assigns them to individual Councillor Offices, through a lottery system. Actual costs for Blue Jay tickets, including hostess fees, were \$0.095 million in 2007.

City Council on October 22 and 23, 2007, referred Motion # M154 entitled 'Elimination of Blue Jay Ticket Purchases for Councillors' to the Executive Committee, which at its meeting of November 26, 2007, recommended that 'City Council direct the City Clerk, effective December 1, 2007, to advise Rogers Centre and the Toronto Blue Jays Baseball Club that the City of Toronto will not be purchasing the Blue Jays home game tickets for Suite 311 for the 2008 baseball season'. The elimination of Blue Jay tickets will reduce City Council's General Expense Budget by \$0.077 million in 2008.

City Council on December 11, 12 and 13, 2007, adopted the Executive Committee's recommendation (# 1 below) with amendments as follows:

1. City Council direct the City Clerk, effective December 1, 2007, to advise Rogers Centre and the Toronto Blue Jays Baseball Club that the City of Toronto will not be purchasing the Blue Jays home game tickets for Suite 311 for the 2008 baseball season.
2. The issue of the 2008 funds saved be referred to the Budget Committee for consideration of how to use these savings for redeployment to recreation programs for at-risk youth in priority neighbourhoods.
3. The Rogers Centre be asked to donate Blue Jays tickets for Suite 311, or other options, to the City of Toronto for the year 2008.
4. The City Clerk be requested to report back to the Executive Committee on a process to ensure that the Suite is used for charitable purposes.

5. The Deputy City Manager and Chief Financial Officer be requested to report to the Executive Committee on whether a charitable receipt can be issued to the Rogers Centre for the value of the tickets.

City Council's 2008 Recommended Operating Budget has been reduced by \$0.77 million. Regarding Recommendation #2 above, it is recommended that the funding be added to the Community Partnership and Investment Program (CPIP) grant funding.

With respect to Recommendation #4 above, the City Clerk is in contact with the Partnership Office to negotiate with Rogers and the Blue Jays regarding the donation of tickets and to develop criteria. It is anticipated that this will be resolved prior to the opening of the baseball season in April.

Appendix 1

Summary of Recommended Base Budget Changes From 2007 Approved Budget

(In \$000s)	Summary of 2008 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2009	2010
		\$	\$	\$	\$	\$
2007 Council Approved Operating Budget	181.0	19,649.3	0.0	19,649.3	0.0	0.0
In-year approvals and technical adjustments				0.0		
Corporate adjustments		(78.9)		(78.9)		
2007 Approved Operating Budget	181.0	19,570.4	0.0	19,570.4	0.0	0.0
Prior year impacts		(15.3)		(15.3)	(63.3)	0.0
Zero base items						
Economic factors		372.1		372.1	104.0	105.6
Adjusted Base Budget	181.0	19,927.2	0.0	19,927.2	40.7	105.6
Other base changes		16.5		16.5		
Base revenue changes						
Recommended Service Level Adjustments:						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	0.0	16.5	0.0	16.5	0.0	0.0
2008 Recommended Base Budget	181.0	19,943.7	0.0	19,943.7	40.7	105.6
2008 Program Operating Target	N/A	N/A	N/A	19,570.4	0.0	0.0
% Over (Under) Program Target				1.9%	0.2%	0.5%
% Over (Under) 2007 Appvd. Budget				1.9%	0.2%	0.5%

Appendix 4

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Balance as of December 2007	Proposed Withdrawals (-) / Contributions (+)		
			2008	2009	2010
		\$	\$	\$	\$
Insurance Reserve Fund	XR1010	26,270.7	64.9	64.9	64.9
Government Relations Reserve	XR1010		37.0	37.0	37.0
Councillors/Staff Severance Pay	XQ0010		175.0	175.0	175.0
Total Reserve / Reserve Fund Draws / Contributions		26,270.7	276.9	276.9	276.9