

Analyst Briefing Notes

Budget Committee

(January 28, 2008)

2008 OPERATING BUDGET

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January 28, 2008

2008 OPERATING BUDGET**Executive Summary**

- Heritage Toronto's year-end projection of \$0.576 million gross and \$0.370 million net is at its 2007 Approved Budget level. Actual expenditures and revenues are both \$0.03 million under budget, resulting in a net \$0 net variance. Gapping of the fund development position lead to reduced fundraising activities and under-achieved revenues of \$0.03 million.
- The 3-Year Operating Budget supports Heritage Toronto's commitment to the development of a shared sense of place and memory among the citizens of Toronto through strong community involvement to interpret, support and act as advocates on behalf of the City's historic buildings as well as natural, archaeological and cultural heritage. The Program faces the following challenges in achieving its service mandate:
 - Fiscal constraints necessitate the need to seek new revenue sources through fundraising, non-City donations and fee-paying memberships; as well as cost efficient methods to delivering services including the use of volunteers.
 - Ability in 2008 and beyond to continue to contribute meaningfully to the growing number of heritage property issues as redevelopment of various parts of the City commence over the coming years.
- The 2008 Recommended Operating Budget of \$0.694 million gross and \$0.39 million net exceeds the Program's 2008 Operating Budget target of \$0.37 million net by \$0.02 million (or 5.4%).

Table 1: 2008 Recommended Budget

(In \$000s)	2007		2008 Recomm'd Operating Budget			Change - 2008 Recommended Operating Budget v. 2007 Appvd. Budget		FY Incremental Outlook	
	2007 Appvd. Budget	2007 Projected Actual	2008 Recomm'd. Base	2008 Rec. New /Enhanced	2008 Rec. Operating Budget			2009	2010
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	605.9	575.9	693.8	0.0	693.8	87.9	14.5	2.0	0.0
REVENUE	236.1	206.1	304.0	0.0	304.0	67.9	28.8	51.7	0.0
NET EXP.	369.8	369.8	389.8	0.0	389.8	20.0	5.4	(49.7)	0.0
Approved Positions	6.0	6.0	6.0	0.0	6.0	0.0	0.0	6.0	6.0

TARGET	369.8	369.8	
\$ Over / (Under) Program Target	20.0	20.0	
% Over / (Under) Program Target	5.4%	5.4%	

- The 2008 Recommended Operating Budget for Heritage Toronto is comprised of base funding of \$0.694 million gross and \$0.390 million net and no funding for new/enhanced service priorities. The Program's staff complement of 6 approved positions remains unchanged from 2007.
 - The 2009 Outlook decrease of \$0.05 million net represents the full impact of the new Communications Coordinator position resulting in incremental revenue generation.
 - No incremental increases for 2010 have been identified.
- The 2008 Recommended Base Budget of \$0.390 million net incorporates the Program's key cost drivers including COLA, annualized salary and benefit costs, and other non-discretionary expenditures that total \$0.088 million. These are partially absorbed by revenue increases of \$0.068 million.
- The 2008 Recommended Operating Budget allows Heritage Toronto to promote the following objectives: Increase visibility of the agency, improve public awareness of heritage matters, and raise funding to support the Program's operation. These goals are to be achieved through initiatives like the Heritage Promotion Campaign, broadcasting Walking Tours, offering lecture series during the winter/fall months, and continuing to install plaques and markers for the under-represented in Toronto's history and heritage.
- The 2008 Recommended Operating Budget of \$0.694 million gross and \$0.39 million net allows Heritage Toronto to deliver the following services:

- *Heritage Education* raises awareness of Toronto's architectural, archaeological, natural and cultural heritage through the delivery of volunteer-led walks around the City; installation of heritage plaques and markers to commemorate buildings and events important to Toronto's heritage; opportunities for the public to dialogue on heritage issues on the newly-redeveloped website; and sponsorship of the annual Heritage Toronto awards. The Program had an estimated 3,500 walk participants in 2007 and strives to increase participation to 4,000 for 2008. Heritage Toronto also aims to increase the number of new walks in 2008 by 5 walks. (\$0.31 million gross and \$0.255 million net);
- *Heritage Advocacy* provides advice on heritage issues from a community perspective to the City, civic organizations and members of the public. The Program strives to increase membership and donations by 5% and 25%, respectively over 2007. (\$0.21 million gross and \$0.21 million net); and
- *Heritage Fund Development* complements City funding by raising revenues through solicitations, corporate sponsorships, and membership fees. In 2008, Heritage Toronto aims to increase revenues by 25% over 2007. (\$0.174 million gross with an operating surplus of \$0.075 million net).

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for Heritage Toronto of \$0.694 million gross and \$0.390 million net, comprised of the following services, be approved:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Heritage Education	310.1	255.1
Advocacy	209.8	209.8
Heritage Fund Development	173.9	(75.1)
Total Program Budget	<u>693.8</u>	<u>389.8</u>

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.	508.0	605.9	575.9	30.0	5.0
REVENUES	167.8	236.1	206.1	30.0	12.7
NET EXP.	340.2	369.8	369.8	0.0	0.0
Approved Positions	5.0	6.0	6.0	0.0	0.0

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

2007 Experience

- Heritage Toronto's year-end projection of \$0.576 million gross and \$0.370 million net is at its 2007 Approved Budget level. Actual expenditures and revenues are both \$0.03 million under budget, resulting in a \$0 net variance. Gapping of the fund development position lead to reduced fundraising activities and under-achieved revenues of \$0.03 million.

2007 Cost Containment Savings

- Heritage Toronto identified cost containment savings of \$0.005 million due to gapping of a Fund Development Coordinator position in 2007. The Coordinator role generates approximately 55% of the annual operating budget revenue for the program. Continued gapping would have resulted in Heritage Toronto being unable to meet its revenue budget target on an ongoing basis. Instead, this role was gapped for a month resulting in savings of \$0.005 million which allowed the Program to meet its zero net increase over the 2007 Approved Operating Budget. The hiring freeze was not continued into 2008.

Impact of 2007 Operating Variance on the 2008 Recommended Budget

- There are no impacts from the 2007 Operating Variance on the 2008 Recommended Budget.

Section B: 2008 Operating Budget Overview

3-Year Operating Budget Overview

- Heritage Toronto's 3-Year Operating Budget will allow the Program to increase visibility of the agency, improve public awareness of the importance of heritage, and raise funding to support the following service areas:
 - *Heritage Advocacy* provides advice on heritage issues from a community perspective to the City, civic organizations and members of the public. This service represents the heritage community's interest to Council and strives to increase public awareness of heritage issues.
 - *Heritage Education* raises awareness of Toronto's architectural, archaeological, natural and cultural heritage through the delivery of volunteer-led walks around the City; installation of heritage plaques and markers to commemorate buildings and events important to Toronto's heritage; web-based communication; and sponsorship of the annual Heritage Toronto awards.
 - *Heritage Fund Development* complements City funding by raising revenues for Heritage Toronto programs through solicitations, corporate sponsorship of programs and special events, membership fees and other activities.
- The 2008 Recommended Operating Budget of \$0.694 million gross and \$0.390 million net exceeds the 2008 budget target of \$0.37 million net by \$0.02 million or 5.4%. The budget incorporates COLA, full year impact of the Communications Coordinator position, and other base changes that allow the Program to maintain 2007 service levels. The staffing complement of 6 approved positions remains unchanged from 2007 staffing levels.
- The 2009 Outlook expects that the Communications Coordinator position will generate incremental revenues of \$0.05 million, by raising the level of interest and support for Heritage programs and improving the web application. In effect, the approval of this position in 2007 projected that it would pay for itself by the third year; thereby reducing the 2009 Outlook back to the 2006 Approved Budget level of \$0.340 million net.
- Despite mounting base pressures, Heritage Toronto is committed to raising an increasing proportion of its budget from non-City sources through sponsorships and fund raising activities while maintaining a zero net increase in its 2010 Outlook.

Challenges and Issues

Heritage Toronto is committed to the development of a shared sense of place and memory among the citizens of Toronto, and believes that community involvement is essential to accomplish this goal. Working with City staff, Heritage Toronto will interpret, support and act as an advocate on

behalf of the City's historic buildings as well as natural, archaeological and cultural heritage. In delivering services, the Program faces the following challenges:

- Increasing operating costs within a financially constrained environment creates a challenge in delivering the Program's services. To overcome this obstacle, Heritage Toronto will continue to rely on fundraising, sponsorships and donations from non-City sources. The Program will develop and improve the website as a cost efficient method of disseminating heritage information to a wider audience. Heritage Toronto will also continue to increase its fee paying membership base and volunteer recruitment program to assist in the delivery and support of program activities.
- Another major challenge for 2008 and beyond will be to continue to contribute meaningfully to the growing number of heritage property issues resulting from the increasing redevelopment of various parts of the City.

Strategic Priorities

Heritage Toronto will continue to expand and improve services in the following areas in order to increase visibility of the agency, improve public awareness of the importance of heritage, and raise additional funding to support the Program's priorities:

- A Heritage Promotion Campaign across the City will raise the awareness of Toronto's heritage by telling some of the City's lesser known stories. The campaign would also act as a signpost to the Program's website, further increasing the profile of the agency and heritage issues. The new Communications Coordinator will develop the website, while a corporate sponsor will fund the production costs and advertising space of the Campaign.
- Although Walking Tours are an excellent way of educating Torontonians, its reach is limited by the number of volunteers available. By developing the walks as podcasts to be made available on the Heritage Toronto website, this enables the walks to be broadcasted to a wider audience at a lower per capita cost. The content will be developed in-house by volunteers and the Program will seek sponsorship to cover production costs.
- As Walking Tours do not run through the winter/fall months, Heritage Toronto plans to offer a lecture series during the off months so that the dissemination of heritage information is available to Torontonians all year round. The cost of the initiative will be covered by ticket charges and sponsorships for the required space.
- Plaques and markers from all corners of the City have always provided excellent information about existing buildings and well known sites, people and events. Heritage Toronto will continue to put a strong effort into identifying potential plaque projects about those who are often overlooked when looking at Toronto's history and heritage – First Nations, Women and Multi-Cultural subjects. The cost of casting the plaques will be paid by community sponsorships.

Section C: 2008 Recommended Base Budget

Table 3: 2008 Recommended Base Budget

	2007 Appvd. Budget	2008 Requested Base	2008 Recommended Base	Change 2008 Recommended Base v. 2007 Appvd. Budget		FY Incremental Outlook	
						2009	2010
(In \$000s)	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	605.9	693.8	693.8	87.9	14.5	2.0	0.0
REVENUE	236.1	304.0	304.0	67.9	28.8	51.7	0.0
NET EXP.	369.8	389.8	389.8	20.0	5.4	(49.7)	0.0
Approved Positions	6.0	6.0	6.0	0.0	0.0	6.0	6.0
NET TARGET		369.8				0.0	0.0
\$ Over / (Under) Program Target		20.0	20.0			(49.7)	0.0
% Over / (Under) Program Target		5.4%	5.4%			-13.4%	0.0%

2008 Recommended Base Budget

- The 2008 Recommended Base Budget of \$0.390 million net exceeds Heritage Toronto's 2007 Approved Operating Budget of \$0.37 million net by \$0.02 million or 5.4%. The Recommended Budget maintains the service levels delivered in 2007.
- The gross expenditure increase of \$0.088 million represents cost-of-living adjustments (COLA), full year impact of the Communications Coordinator position and other non-discretionary expenditures. The total budgeted revenues for 2008 is \$0.068 million greater than in 2007 resulting in an overall net pressure of \$0.02 million.

2008 Key Cost Drivers and Reduction Strategies

- The full year impact of the Communications Coordinator position approved in 2007, increases expenditures by an additional \$0.035 million. It is anticipated that this position will generate additional revenues of \$0.015 million in 2008, for a net pressure of \$0.020 million.
- Salary and wage increases due to cost of living adjustments create a \$0.015 million pressure. Heritage Toronto will fully offset the impact by raising additional funds.
- Heritage Toronto expects to cover an increase of \$0.038 million in expenditures for fundraising activities with private sector financial support.

2009 and 2010 Outlook: Net Incremental Impact

Heritage Toronto projects a net incremental decrease of \$0.05 million for 2009 and no incremental change for 2010. The 2009 and 2010 Outlooks maintain the 2008 level of service. By 2009, the Program expects the expenditure of \$0.072 million for the Communications Coordinator position to be self-supporting through increased revenues. The anticipated incremental net revenue of \$0.050 million will have the effect of reducing the 2009 Operating Budget net expenditure back to the 2006 Approved Budget of \$0.340 million net.

Section E: Issues for Discussion**Outstanding Issues from 2007 and Prior Years***First Parliament Site Project*

Heritage Toronto played a significant role in focusing the public desire for the return of the site of Ontario's First Parliament Building to public ownership during 2001-2003. This work led to the Ontario Government's acquisition of one third of the site in 2005. The City owns a portion of the site which is maintained as green space. The portion of the site where the remains of the First Parliament Building were found continues in private ownership. The Provincial Government has expressed interest in acquiring this piece of the site.

At this time, the Province has now begun to review options for securing public ownership of the site, and Heritage Toronto will be working with the City and provincial staff to develop appropriate options for future use of the site.

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	6.0	606.0	236.1	369.9	0.0	0.0
In-year technical adjustment for insurance		(0.1)		(0.1)		
2007 Final Operating Budget	6.0	605.9	236.1	369.8	0.0	0.0
Prior year impacts		35.0	15.0	20.0	(49.7)	
Economic factors		15.4	15.4	0.0		
Adjusted Base Budget	6.0	656.3	266.5	389.8	(49.7)	0.0
Other base changes		37.5	37.5	0.0		
2008 Base Budget Request	6.0	693.8	304.0	389.8	(49.7)	0.0
Recommended Base Adjustments:						
Base changes				0.0		
Service efficiencies				0.0		
Revenue adjustments				0.0		
Minor service impact				0.0		
Major service impact				0.0		
Total Recommended Base Adjustments	0.0	0.0	0.0	0.0	0.0	0.0
2008 Recommended Base Budget	6.0	693.8	304.0	389.8	(49.7)	0.0
2008 Program Operating Target	N/A	N/A	N/A	369.8	0.0	0.0
% Over (Under) Program Target				5.4%	-13.4%	0.0%
% Over (Under) 2006 Approved Budget				5.4%	-13.4%	0.0%

Appendix 4

Inflows / Outflows to / from Reserves & Reserve Funds

In (\$000s)

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Balance as of September 30, 2007 \$	Proposed Withdrawals (-) / Contributions (+)		
			2008	2009	2010
			\$	\$	\$
Insurance Reserve	XR1010	24,027.8	0.9		
Total Reserve / Reserve Fund Draws / Contributions		24,027.8	0.9	0.0	0.0