

Analyst Briefing Notes

Budget Committee

(January 28, 2008)

2008 OPERATING BUDGET

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Contacts: Judy Broughton, Manager, Financial Planning Division
Tel: (416) 392-8393
Jay Jayapathy, Financial Planning Analyst
Tel: (416) 397-8992

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2008 OPERATING BUDGET

Executive Summary

- The Mayor's Office's projected year-end net expenditure is expected to be of \$2.128 million which will be \$0.313 million or 12.8% below the 2007 Approved Budget of \$2.441 million. This favourable variance is largely attributable to cost-containment measures implemented at the end of July, 2007 for a savings of \$0.225 million.
 - Continuing to defer hiring of 3 approved positions will result in 2008 savings of \$0.150 million.
- The 3-Year Operating Budget supports the Mayor's responsibility for leading the City of Toronto.
- The 2008 Recommended Operating Budget for the Mayor's Office of \$2.601 million gross and net is 6.6% (\$0.160 million) over the Program's 2007 Approved Operating Budget, which is attributable mainly to the annualization of the approved 2007 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.	2,441.2	2,128.0	2,601.1	0.0	2,601.1	159.9	6.6	208.7	74.1
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET EXP.	2,441.2	2,128.0	2,601.1	0.0	2,601.1	159.9	6.6	208.7	74.1
Approved Positions	23.0	20.0	23.0	0.0	23.0	0.0	0.0	0.0	0.0
TARGET			2,441.2		2,441.2				
\$ Over / (Under) Program Target			159.9		159.9				
% Over / (Under) Program Target			6.6%		6.6%				

- The 2008 Recommended Operating Budget for the Mayor's Office is \$2.601 million net. This is comprised of base funding and no new/enhanced service priorities. Approval of the 2008 Recommended Operating budget will result in no changes to the Program's staff complement.

- The 2009 Outlook includes the reversal of 2008 one-time gapping of \$0.150 million. No provisions are included for COLA increases pertaining to the years 2009 and 2010 since these are subject to future negotiations. However, the Outlook provides for staff merit increases.
- an estimated 2% COLA adjustment, based on the annual Consumer Price Index (CPI) for Toronto is provided in the Outlook for the Mayor's salary.
- The 2008 Recommended Base Budget is \$0.160 million or 6.6% over the 2008 target and incorporates COLA increases and other non-discretionary expenditures that total \$0.127 million.
- The Recommended Budget includes cost containment savings totalling \$0.150 million by delaying the hire of three staff positions.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for the Mayor's Office of \$2.601 million gross and net, comprised of the following service be approved:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Mayor's Office	<u>2,601.1</u>	<u>2,601.1</u>
Total Program Budget	<u>2,601.1</u>	<u>2,601.1</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.	1,804.9	2,441.2	2,128.0	(313.2)	(12.8)
REVENUES	0.0	0.0	0.0	0.0	0.0
NET EXP.	1,804.9	2,441.2	2,128.0	(313.2)	(12.8)
Approved Positions	19.0	23.0	20.0	(3.0)	(13.0)

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

2007 Experience

The projected year-actual expenditure for the Mayor's Office is expected to be \$2.128 million net. This represents a positive variance of \$0.313 million or 12.8% of the Program's 2007 Approved Operating Budget of \$2.441 million net. The projected year-end under-spending is primarily due to cost-containment measures implemented at the end of July, 2007 for a savings of \$0.225 million. This was accomplished by leaving three new approved positions unfilled and deferring the implementation of the Scheduling and Constituency Management database system. Additional savings of \$0.064 million are projected by year-end by curtailing spending on discretionary non-salary expenditures.

2007 Cost Containment Savings

The Mayor's Office expects to achieve cost containment savings of \$0.225 million in 2007 through the measures itemized in the table below:

Net Cost Containment Savings	2007 (\$000s) Savings	2008 (\$000s) Continued Savings	Comments
Hiring Freeze Savings:			
Delay in starting the Mayor's initiative on economic development opportunities.	174.8	150.0	
Sub-total	174.8	150.0	
Service Level Adjustments:			
None			
Sub-total	0.0	0.0	
Discretionary Savings:			
Delay in implementing the calendar and constituency application system will lead to delays in processing and managing scheduling requests	50.0	0.0	One-time
Sub-total	50.0	0.0	
TOTAL COST CONTAINMENT	224.8	150.0	

Impact of 2007 Operating Variance on the 2008 Recommended Budget

Of the three positions held vacant in 2007 for cost containment savings, one will continue to be held vacant in 2008. The other two positions will be filled in April, 2008 resulting in savings of \$0.150 million in 2008.

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

- The 3-Year Operating Budget supports the Mayor's responsibility for leading the City of Toronto. The Mayor has a duty to ensure that City Council remains accountable and accessible to the public. In addition, the Mayor's office has a duty to conduct the business of the City in an efficient manner.

Key Strategic Directions and Priorities include measures to make the city liveable, prosperous and one of opportunity for all by:

- Providing environmental leadership for the sustainable development and creation of a climate change plan.
 - Improving public transit as a best alternative to automobile use.
 - Strengthening financial viability of the City.
 - Increasing safety for all communities.
 - Enhancing creative industries and turning the public realm into beneficial people places.
- The 2008 Recommended Operating Budget for the Mayor's Office is \$2.601 million. The recommended increase of \$0.160 million (6.6%) over the Program's net target of \$2.441 million is required to provide resources to advance the Mayor's key priorities. The 2008 Recommended Budget incorporates a reduction option of \$0.150 million in an attempt to minimize base expenditures.

Challenges and Issues

- The Office of the Mayor supports the Mayor in his role as head of Council and Chief Executive Officer of the City of Toronto. The Mayor presides over meetings, represents the City at official functions, promotes public involvement and represents the City locally, nationally and internationally.
- The 2008 Recommended Base Budget for the Mayor's Office in the amount of \$2.601 million will support increased service levels over the level of services provided in 2007 and will enable the Mayor's Office to oversee and deliver the priorities contained in the Mayor's Mandate. The office requires funding to address resource needs to implement the prosperity strategic priority.

Section C: 2008 Recommended Base Budget

Table 3: 2008 Recommended Base Budget

(In \$000s)	2007 Approved. Budget	2008 Recommended Base	Change 2008 Recommended Base vs. 2007 Approved Budget		FY Incremental Outlook	
			\$	%	2009	2010
	\$	\$	\$	%	\$	\$
GROSS EXP.	2,441.2	2,601.1	159.9	6.6	208.7	74.1
REVENUE	0.0	0.0	0.0	NA	0.0	0.0
NET EXP.	2,441.2	2,601.1	159.9	6.6	208.7	74.1
Approved Positions	23.0	23.0	0.0	0.0	0.0	0.0
NET TARGET		2,441.2			0.0	0.0
\$ Over / (Under) Program Target		159.9			208.7	74.1
% Over / (Under) Program Target		6.6%			8.5%	3.0%

2008 Recommended Base Budget

- The 2008 Recommended Base Budget of \$2.601 million net represents a \$0.160 million (6.6%) increase over the Mayor's Office 2007 Approved Budget.
- Cost-of-living adjustments (COLA), annualizations and one additional working day totaling \$0.309 million are included in the recommended gross expenditures. However, reduction options totaling \$0.150 million have partly reduced the expenditure increase to \$0.160 million.

2008 Key Cost Drivers and Reduction Strategies

- The additional \$0.309 million in expenditures recommended for the Program's Base Budget is needed to fund the increases in salary costs, arising from adjustments to COLA, merit, fringe benefits and the inclusion of an additional working day's pay.
- The additional increases have been partly offset by reduction options in the amount of \$0.150 million by delaying the hire of three staff positions.

2009 and 2010 Outlook: Net Incremental Impact

The 2009 for the Mayor's Office includes:

- Reversal of one-time gapping totaling \$0.150 million.
- A preliminary staff merit estimate of \$0.055 million.

The 2010 Outlook provides for a preliminary merit estimate of \$0.069 million. The outlook provides an estimated 2% market rate adjustment, based on the annual Consumer Price Index (CPI) for Toronto for the Mayor's salary. However, no COLA is provided for the Mayor's staff, for 2009 and 2010, as the increases are subject to future considerations.

Section E: Issues for Discussion**2008 Operating Budget issues****Deferring Hiring of Approved Positions**

During the 2007 operating budget process, four new positions were approved for the Mayor's Office to assist the Mayor in meeting new demands and responsibilities as a result of the new City of Toronto Act and governance structure.

Cost containment measures implemented in July 2007 resulted in holding 3 of the new positions vacant. As part of cost containment for 2008, it is recommended that 2 of the 3 new positions be held vacant until April, 2008 and the third held vacant throughout 2008. This will result in a savings of \$0.150 million. However, this proposal will result in delays in starting the Mayor's initiative on Economic Development Opportunities and will adversely impact on the workload of existing staff resulting in delays in responding to constituents' concerns.

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	23.0	2,447.1	0.0	2,447.1	0.0	0.0
In-year approvals and technical adjustments						
Corporate adjustments		(5.9)		(5.9)		
2007 Approved Operating Budget	23.0	2,441.2	0.0	2,441.2	0.0	0.0
Prior year impacts		245.3		245.3	54.7	69.2
Zero base items						
Economic factors		57.3		57.3	4.0	4.9
Adjusted Base Budget	23.0	2,743.8	0.0	2,743.8	58.7	74.1
Other base changes		7.3		7.3		
Base revenue changes						
Recommended Service Level Adjustments:						
Service efficiencies						
Revenue adjustments						
Minor service impact		(150.0)		(150.0)	150.0	0.0
Major service impact						
Total Recommended Base Adjustments	0.0	(142.7)	0.0	(142.7)	150.0	0.0
2008 Recommended Base Budget	23.0	2,601.1	0.0	2,601.1	208.7	74.1
2008 Program Operating Target	N/A	N/A	N/A	2,441.2	0.0	0.0
% Over (Under) Program Target				6.6%	8.5%	3.0%
% Over (Under) 2007 Appvd. Budget				6.6%	8.5%	3.0%

Appendix 2
Summary of Service Level Adjustments

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	XR1010	26,270.7	3.5	3.5	3.5
Total Reserve / Reserve Fund Draws / Contributions		26,270.7	3.5	3.5	3.5