

# Analyst Briefing Notes

## Budget Committee

(January 28, 2008)

**2008 OPERATING BUDGET**

Executive Summary .....	2
Recommendations .....	5

**Section A: 2007 Budget Variance Analysis .....** 6

2007 Experience .....	6
Impact of 2007 Operating Variance on the 2008 Recommended Budget .....	7

**Section B: 2008 Operating Budget Overview .....** 8

3-Year Operating Budget Overview .....	8
Challenges and Issues.....	8

**Section C: 2008 Recommended Base Budget.....** 12

2008 Recommended Base Budget .....	12
2008 Key Cost Drivers and Reduction Strategies .....	13

**Section D: 2008 Recommended Service Priorities .....** 14

Summary of 2008 New / Enhanced Service Priorities .....	14
---	----

**Section E: Issues for Discussion .....** 15

2008 Operating Budget Issues.....	15
Outstanding Issues from 2007 and Prior Years .....	15

**Appendices:**

Appendix 1: Summary of Recommended Base Budget Changes from 2007 Approved Budget.....	17
Appendix 2: Summary of Service Level Adjustments .....	18 (a) to (e)
Appendix 3: Summary of 2008 Recommended New/Enhanced Service Priorities .....	N/A
Appendix 4: Inflows/Outflows to/from Reserves and Reserve Funds .....	19

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

Stephen Conforti, Financial Planning Analyst  
Tel: (416) 397-0958

January 28, 2008

**2008 OPERATING BUDGET****Executive Summary**

- The 2007 Third Quarter Variance Report projects year-end net expenditures of \$9.362 million which will be \$1.655 million or 15.0% below the 2007 Approved Budget of \$11.017 million. This favourable variance is largely attributable to savings realized from staff vacancies and cost containment measures such as \$0.067 million of discretionary savings along with the hiring freeze of 21 approved positions.
  - Projected gross expenditure savings in 2007 have no impact on the 2008 Recommended Operating Budget as Municipal Licensing & Standards (ML&S) intends to fill all vacant positions recommended in the 2008 Operating Budget.
  - Further review of business licensing revenues has determined that a decrease in the licensing volume estimates is required, which results in a net pressure of \$0.279 million on ML&S' 2008 Recommended Operating Budget. These revenues will continue to be evaluated over 2008 to determine if any further reductions should be considered for the 2009 Operating Budget.
- The 3-Year Operating Budget is consistent with ML&S' objective of improving its services by implementing a strategic planning process ensuring efficient, effective, economical and essential service delivery. Focus will also be placed on establishing the capacity to develop and maintain operational policies and procedures while ensuring consistency in by-law knowledge and application:
  - The introduction of new bylaws has increased service demands on ML&S. Facing this challenge, the Program will continue to examine existing bylaws, implement increased training opportunities and capacity, and examine on-line information and filing with the potential use of BizPal and amend its District Office hours of work to provide evening and weekend coverage.
  - Information needs continue to be a challenge for ML&S. Improving their licensing information system resources through a dedicated IT staff within Policy, Planning, Finance and Administration will result in an increase the level of support.
  - To address other information technology challenges, ML&S has been pursuing the implementation of computer technologies through the Policy, Planning, Finance and Administration's Capital Budget such as a case management system and remote computing.
  - An increase in complaints received on alleged bylaw violators has resulted in increased service demands. To address this ML&S will continue to modify processes to better manage the workload volume.
- The 2008 Recommended Operating Budget for ML&S is 2.5% (\$0.279 million) over the Program's 2007 Approved Operating Budget.

Table 1: 2008 Recommended Budget

	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
	\$	\$	\$	\$	\$	\$	%	\$	\$
(In \$000s)									
<b>GROSS EXP.</b>	33,762.6	31,983.3	34,149.7	0.0	34,149.7	387.1	1.1	78.3	176.8
<b>REVENUE</b>	22,621.7	22,621.7	22,730.2	0.0	22,730.2	108.5	0.5		
<b>NET EXP.</b>	11,140.9	9,361.6	11,419.5	0.0	11,419.5	278.6	2.5	78.3	176.8
<b>Approved Positions</b>	380.0	336.0	369.0	0.0	369.0	(11.0)	(2.9)		
<b>TARGET</b>			<b>11,140.9</b>		<b>11,140.9</b>				
<b>\$ Over / (Under) Program Target</b>			<b>278.6</b>		<b>278.6</b>				
<b>% Over / (Under) Program Target</b>			<b>2.5%</b>		<b>2.5%</b>				

- The 2008 Recommended Operating Budget for ML&S is \$11.420 million net. This is comprised of base funding of \$11.420 million and no recommended new or enhanced service priorities. Approval of the 2008 Recommended Operating Budget will result in the Program's staff complement decreasing from 380.0 to 369.0 approved positions.
  - The 2009 Outlook increase of \$0.078 million and 2010 increase of \$0.177 million include estimates for merit/step increases while accounting for the loss of a working day in each of the calendar years. The 2009 outlook also includes annualized savings arising from service reductions of the Clean City team recommended for 2008.
  - These outlooks do not include provisions for cost-of-living adjustments (COLA), as this is subject to future negotiations.
- The 2008 Recommended Base Budget is \$0.279 million or 2.5% over the 2008 target. The base budget incorporates the Program's key cost drivers including COLA, merit and step increases and an additional working day in the calendar year that total \$1.150 million. These are partially defrayed by licensing fee and permit revenue increases of \$0.523 million and two service reductions of \$0.541 million and 11 staff positions.
- In an effort to limit, as much as possible, the net budget increase to the corporate affordability target of 0%, all new or enhanced initiatives have been deferred to the 2009 Budget process.
  - Utilizing funds available within the ML&S 2008 Recommended Base Budget, ML&S will advance strategic priorities which align with Council's current policy agenda. This includes major activities such as;
    - augmenting the current enforcement strategy through the support of an enhanced inspection program, to maintain the prescribed standard for multi-residential apartment buildings and minimize the number of complaints;

- continue developing a new methodology that more accurately represents the effort involved in business licensing activities related to all category of license and ensure that all eligible direct and indirect costs are addressed in future business licensing fee structures;
  - the development of a new bylaw(s) to establish clear policies for the administration and enforcement of new Toronto street food vendor, and existing street vendor licenses and permits;
  - consulting with the General Manager, Economic Development, Culture and Tourism Division, the limousine industry and other appropriate stakeholders in the review of the standards and regulations applicable to the limousine industry;
  - working with Toronto Building in the development of the consolidated Sign By-Law;
  - requiring taxis and limousines to utilize low emission or hybrid technologies by 2015;
  - rating systems for rental residential units based on compliance or non-compliance with the City's Green Development Standard;
  - the potential ban of two stroke engines in powering home and garden equipment by 2010;
  - potential regulations on retail establishments running air conditioners while keeping their storefront doors and/or windows open; and,
  - ML&S with the support of Accounting Services and Financial Planning staff will continue to develop a new methodology that more accurately represents the effort involved in business licensing activities related to all category of license and ensure that all eligible costs are addressed in future business licensing fee structures.
- The 2008 Recommended Operating Budget provides base funding for ML&S to maintain service levels for its two primary service areas, license and permission issuance and bylaw enforcement. These services will be provided through:
    - Licensing Services continuing to serve the business and broader community through the issuance of new and renewal business licenses, right-of-way permits for outdoor cafes and vending, temporary sign permits and the addition of fireworks permits in 2008. Inspections of vehicles at the Vehicle Test Centres and training of mobile business licensees will also see continued funding. It is estimated that service levels of business licenses issued for ML&S will be 51,500 in 2008.
    - Investigation Services continuing to contribute to a clean and safe City through an estimated total of approximately 184,000 inspections and 62,000 investigations of property maintenance regarding waste, fences, heat and vital services, long grass, and weeds; graffiti; noise; zoning, and business licenses; and right-of-way permits.

### Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for Municipal Licensing and Standards of \$34.150 million gross and \$11.420 million net, comprised of the following services, be approved:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Head Office	2,068.8	2,068.8
Licensing	9,697.1	(12,713.3)
Investigations	22,383.8	22,064.0
	<hr/>	<hr/>
Total Program Budget	34,149.7	11,419.5
	<hr/>	<hr/>

2. the Executive Director of Municipal Licensing and Standards report back to the Budget Committee in May 2008 to enable Council consideration by July 2008, on the recommended business license fee structure arising from the cost recovery model review.

## 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)	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	30,684.9	33,638.2	31,983.3	(1,654.9)	(4.9)
<b>REVENUES</b>	20,799.2	22,621.7	22,621.7	0.0	0.0
<b>NET EXP.</b>	9,885.7	11,016.5	9,361.6	(1,654.9)	(15.0)
<b>Approved Positions</b>	326.0	380.0	336.0	(44.0)	(11.6)

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

### 2007 Experience

Municipal Licensing & Standards' Third Quarter Variance Report projects year-end actual expenditures of \$9.362 million net. This represents an under expenditure of \$1.655 million or 15.0% of the Program's 2007 Approved Operating Budget of \$11.017 million net.

The factors contributing to the projected year-end underspending are predominately the result of staff vacancies and cost containment measures in License/Permit Issuance and By-law Enforcement. These include;

- Savings from staff vacancies as a result of 21 held positions as a cost containment measure;
- The delayed hiring of vacant positions; and,
- Approximately \$0.067 million in discretionary savings from cost containment measures.

### 2007 Cost Containment Savings

- Municipal Licensing and Standards expects to achieve cost containment savings of \$1.655 million in 2007 through the measures itemized in the table below.
- None of the 2007 cost containment measures have been recommended to continue into 2008.

Net Cost Containment Savings	2007 (\$000s) Savings	2008 (\$000s) Continued Savings	Comments
<b>Hiring Freeze/Delayed Hiring Savings:</b>			
License/Permit Issuance & Bylaw Enforcement	(1,588.0)		Hiring freeze of 21 approved positions.
<b>Sub-total</b>	<b>(1,588.0)</b>	<b>0.0</b>	
<b>Service Level Adjustments:</b>			
<b>Discretionary Savings:</b>			
Deferred/Cancelled Conferences	(36.4)		
Deferred/Cancelled Seminars	(12.0)		
Deferred/Cancelled Business Travel	(3.6)		
Deferred/Cancelled Equipment Costs	(2.4)		
Deferred/Cancelled Furniture Costs	(9.6)		
Miscellaneous	(2.9)		
<b>Sub-total</b>	<b>(66.9)</b>	<b>0.0</b>	
<b>TOTAL COST CONTAINMENT</b>	<b>(1,654.9)</b>	<b>0.0</b>	

## Impact of 2007 Operating Variance on the 2008 Recommended Budget

- Projected gross expenditure savings of \$1.655 million are not expected to fully continue in 2008, as ML&S intends to fill all vacant positions recommended in the 2008 Operating Budget.
- While ML&S projected revenues to be on target as of the third quarter, further review and analysis following September 30, 2007 has resulted in a recommended decrease in business licensing revenue of \$0.279 million for 2008, to correct historically experienced overestimated revenue for this service.
  - Business Licensing revenues will continue to be evaluated in 2008 to determine if further adjustments should be considered in the 2009 Budget process.

## Section B: 2008 Operating Budget Overview

### 3-Year Operating Budget Overview

- During the next 3 years, ML&S will be focusing on improving its services by implementing a strategic planning process to develop a vision document, divisional goals and work-unit objectives to ensure service delivery focuses on the 4 E's – efficient, effective, economical and essential. The focus will also be on establishing the capacity to develop and maintain operational policies and procedures, and to train staff to ensure consistency in by-law knowledge and application, while enhancing customer service and reducing risk to the City.
  - Operational policies and procedures provide staff with guidance on how to respond to various circumstances, set out expectations, and support consistency in approach across organizations. As there has been no staff position dedicated to this function, one has been reallocated to the Policy and Planning Services Team to undertake this work.
- Additional emphasis has been placed on identifying organizational performance standards and implementing measurement tools. Further benchmarks for work processes, and process mapping the issuance, inspection and enforcement practices to identify opportunities to enhance service delivery and to forecast activity levels has commenced.
- Funding already secured in the 2007 Capital Budget is focusing on addressing the Division's need for a case management system suitable for the diversity of the Division's investigative role. It is anticipated that a new system will be in place by 2009.
- A training resource with no net financial impact to ML&S has been established to develop a staff training program and to coordinate the delivery of the program. Staff training will address both investigation and administrative staff training needs. Further, training seminars for newly introduced bylaws and refresher courses can be developed and provided to staff by the Training Centre. This will ensure enforcement strategies are ready at the time new by-laws come into force and the knowledge level is sustained.
- Focus will also be placed on responding to legislative changes contained in the new *City of Toronto Act 2006*, developing and implementing communication initiatives to enhance the awareness of Council members, the public and other City divisions and partners of the Division's work, and ensuring 311 readiness.

### Challenges and Issues

The mission of Municipal Licensing & Standards is:

As the Municipal Licensing & Standards Division, we strive to be a leader in supporting the City of Toronto as a safe, vibrant, creative and clean community through bylaw administration and enforcement serving those who live, work and visit in the City.



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

SERVICE AREA	DESCRIPTION
Business Licensing & Permission	Provides the issuance of business license, right-of-way permits (excluding Scarborough), temporary sign permits, fireworks permits and the processing of rooming house licenses (former City of Toronto only), group home registrations (former Cities of Scarborough, Etobicoke, and York only) and by-law exemption applications.
By-Law Enforcement	Provides by-law enforcement activities related to the inspection and investigation of such matters as business licenses; right-of-way permits; property standards; property maintenance, including waste, litter and dumping of refuse, waste collection, grass and weeds and graffiti; noise; fences; zoning; and signs.

As the following indicates, there are a number of challenges that impact on Municipal Licensing & Standards ability to deliver service that meets public expectations:

#### Business Licensing & Permission

- The introduction of new bylaws without additional resources for implementation has increased service demands on ML&S. To accommodate this, the Program will continue to examine existing bylaws to determine if change may be appropriate as well implementing increased training opportunity and capacity coupled with the examination of on-line information and filing as well as the potential use of BizPal.
- Information needs continue to be a challenge for ML&S. To improve their information system resources they plan to establish a dedicated IT staff resource through Policy, Planning, Finance and Administration (PPF&A) which will result in an increase in the level of support available. PPF&A will be able to provide this increase in support without an increase to expenditures or any resulting decrease in existing service levels.

#### By-law Enforcement

- ML&S faces information technology challenges arising from the five separate and unconnected computer databases with no case management system specifically designed for investigations. To address this challenge, ML&S will be working to acquire computer technologies that will handle investigations relating to business licensing, property standards, waste and use of boulevards, as well as license, permit and exemption issuance. This project is funded through the Policy, Planning, Finance and Administration's 2007 Approved Capital Budget with \$3.000 million over 2007 and 2008.
- An increase in complaints received from the public on (alleged) By-law violators and a focus on proactive inspections by ML&S has also resulted in an increase in service demands. ML&S will continue to modify processes to better manage the workload volumes, apply strategic, targeted enforcement strategies and implement a new caseload assignment process.

**Strategic Priorities**

The 2008 Recommended Operating Budget for Municipal Licensing and Standards directly addresses, through a number of initiatives, the following strategic priorities outlined in Council's policy agenda:

- ***Strengthen Our At-Risk Neighbourhoods, Ensure Housing is Affordable:***

*Multi Residential Apartment Building Strategy (MRAB):* This is a regulatory strategy, supported by an enhanced inspection program to augment the current enforcement strategy to minimize the number of complaints and ensure that multi-residential apartment buildings are maintained to the prescribed standard.

- ***Improve the Business Climate:***

*Licensing Fee Model:* Ensure a business license fee model that accurately represents the efforts involved in business licensing activities related to all categories of licenses and to ensure that all eligible direct and indirect costs are captured as set out in the corporate costs recovery model.

*Street Eats / Street Vending:* A new bylaw(s) will be developed to establish clear policies for the administration and enforcement of new Toronto street food vendor, and existing street vendor licenses and permits.

*Review of Limousine Licensing:* A review of the standards and regulations applicable to the limousine industry undertaken in consultation with the General Manager, Economic Development, Culture and Tourism Division, the limousine industry and other appropriate stakeholders.

- ***Improve the Business Climate, Make Toronto a Clean and Beautiful City:***

*Harmonized Sign By-law:* ML&S is working with Toronto Building in the development of a consolidated Sign By-Law.

- ***Major Environmental/Climate Change Activities:***

ML&S is developing a program, requiring all taxis and limousines operating in the City to be low emission or utilize hybrid technologies by 2015 or earlier.

ML&S is integrating into any rating systems developed for rental residential units an environmental performance rating based on compliance or non-compliance with the City's Green Development Standard.

ML&S is developing a plan to potentially ban the use of two stroke engines to power home and garden equipment by 2010.

ML&S is also in the process of identifying potential legal strategies and mechanisms, including a potential regulatory bylaw, to address the environmentally-regressive practice of a growing number of retail establishments running air conditioners while keeping their storefront doors and/or windows open.

- ***Other Environmental/Climate Change Activities:***

ML&S will be involved in the enforcement of the downspout disconnection program.

The Program is also examining the potential for a maximum temperature bylaw for dwelling units that are rented or leased such as apartments and/or rooming houses.

- ***Future Environmental/Climate Change Activities:***

ML&S will be involved in the enforcement for the waste diversion program in residential multi-unit buildings to support Council's "getting to 70% waste diversion from landfill plan" by 2010.

The Program will also commence such initiatives as;

- Encouraging staff to participate in the City of Toronto Smart Commute;
- Increase the use of foot and bicycle patrols for inspection and investigation activities;
- Encourage the use of public transit as a mode of travel to inspections, particularly in the downtown core; and,
- The Division's vision document contains focus on the environment, such as the reduction in the amount of paper used.

### 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
	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	33,762.6	34,149.7	387.1	1.1	78.3	176.8
<b>REVENUE</b>	22,621.7	22,730.2	108.5	0.5	0.0	0.0
<b>NET EXP.</b>	11,140.9	11,419.5	278.6	2.5	78.3	176.8
<b>Approved Positions</b>	380.0	369.0	(11.0)	(2.9)		
<b>NET TARGET</b>		<b>11,140.9</b>			<b>0.0</b>	<b>0.0</b>
<b>\$ Over / (Under) Program Target</b>		<b>278.6</b>			<b>78.3</b>	<b>176.8</b>
<b>% Over / (Under) Program Target</b>		<b>2.5%</b>			<b>0.70%</b>	<b>1.59%</b>

### 2008 Recommended Base Budget

- The 2008 Recommended Base Budget of \$11.420 million net represents a \$0.279 million (2.5%) increase over Municipal Licensing & Standards 2007 Approved Budget. The 2008 Recommended Base Budget will largely serve to maintain service levels offered in 2007.
- The recommended gross expenditure increase of \$0.387 million is primarily the result of cost-of-living adjustments (COLA) that average 3.25% for 2008 and comprise of an expenditure increase of \$0.686 million which is partially offset by reduction strategies which provide gross expenditure savings of \$0.584 million.
- Budgeted revenue for 2008 is \$0.109 million greater than in 2007. This is the result of the annual CPI increase on fees and permits which amounts to a greater increase than the recommended decrease in budgeted revenues to correct historical overestimations in fee and permit activity.
- The 2008 Recommended Base Budget results in 369.0 approved positions. This is a reduction of 11.0 positions from the staff complement level in 2007. This change in the level of staffing is comprised of a reduction of 5.0 approved positions` from the Clean City team and the equivalent of 6.0 approved positions in the Summer Student Program. It is not anticipated that these reductions will significantly impact on service levels.
  - The Clean City team reduction will be minimized by current interdivisional efforts to better coordinate response to graffiti.

- The Summer Student Program reduction strategy is recommended since this reduction option has the least impact on ML&S' service levels due to the collective agreement's limitations on the use of summer students who can only assist Municipal Standards Officers and cannot undertake work fully and/or independently.

**2008 Key Cost Drivers and Reduction Strategies**

- Expenditure increases of \$1.150 million are required for COLA, merit and step increases and an additional day in the calendar year. While this represents an increase of 10.3% over the 2007 Approved Budget, these expenditures will not result in any increase in service levels from the previous year.
- It should be noted that the majority of these increases arise from inflationary pressures which also apply to ML&S' licensing fees and permits and result in a \$0.523 million increase in revenue.
- In an effort to limit, as much as possible, the net budget increase to the corporate affordability target of a 0% increase, combined reduction strategies recommended on the basis that they would have the least impact on service delivery result in a savings of \$0.584 million and a decrease in Clean City and Summer Student staff.

**2009 and 2010 Outlook: Net Incremental Impact**

The net increase of \$0.078 million in 2009 and \$0.177 million in 2010 maintains the 2008 recommended level of service, and provides for Merit & Step adjustments while accounting for the loss of a working day in the calendar year in both 2009 and 2010.

The 2009 Outlook also includes annualized savings of \$0.097 million arising from the Clean City team reduction.

The 2009 and 2010 Outlooks do not include provisions for COLA, as the salary increase is subject to future negotiations. It is also anticipated that there will be Operating budget impacts in 2010 arising from the Enhanced Computer Technologies Project approved as part of the Policy, Planning, Finance and Administration's 2007 Approved Capital Budget. These costs will be identified and submitted as part of the 2009 Operating and Capital Budget process.

**Section D: 2008 Recommended Service Priorities**

No new or enhanced services have been recommended in 2008.

**Section E: Issues for Discussion****2008 Operating Budget Issues*****2008 Recommended Operating Budget vs. Guideline***

ML&S' 2008 Recommended Operating Budget is \$11.420 million net. In an effort to limit, as much as possible, the net budget increase to the corporate affordability target of a 0% increase, no new or enhanced initiatives have been recommended at this time. A downward adjustment of revenues to reflect historically experienced actuals in business licensing, results in a 2008 Recommended Operating Budget that is 2.5% over the 2008 target of \$11.141 million.

***Training Centre***

For 2008, the ML&S Training Centre will begin to move to a full, cost recovery service that is funded by users. This will permit the Training Centre the flexibility to offer other courses and maintain the integrity of the business license fees attributed to licensee training.

This strategy will give the Training Centre the flexibility to broaden its scope, to "grow the business." This is particularly important given the absence of regulatory enforcement training available through community colleges.

***Clean City Team Reduction and Redeployment***

The Clean City Team which currently consists of 9 Municipal Standards Officers is responsible for the proactive inspection of graffiti across the City. Each Officer undertakes approximately 200 inspections annually.

ML&S will be shifting their inspection priorities and implementing a proactive graffiti inspection program across all of their District Office Teams, as well as implementing strategies developed by a multi-agency working group focused on enhanced collaboration related to graffiti.

These changes will allow ML&S to reduce the staff complement of the Clean City Team by 5.0 Municipal Standards Officers effective April 1, 2008, redeploy the remaining 4.0 Officers to the District offices and anticipate that they will still maintain approximately 1,800 proactive graffiti inspections annually.

**Outstanding Issues from 2007 and Prior Years*****Full Cost Recovery Model***

The current methodology in place to establish and set annual business licensing fees based on category of license is a static application based on 2004 known requirements which may not fully account for all eligible direct and indirect costs in 2008, nor is it flexible enough to account for future year costs.

In reviewing the current model, ML&S with the support of Accounting Services and Financial Planning staff will continue to develop a new methodology that more accurately represents the effort involved in business licensing activities related to all category of license and ensure that all eligible costs are addressed in future business licensing fee structures.

It is recommended that the Executive Director of Municipal Licensing and Standards report back to the Budget Committee in May 2008 to enable Council consideration by July 2008, on the recommended business license fee structure arising from the cost recovery model review. This will allow its full cost recovery assumptions to be incorporated in the 2009 Operating Budget.

***Business Licensing Revenue Reduction***

In 2007, the budgeted business licensing revenues had been adjusted downward in the amount of \$0.988 million from the 2006 Approved Budget. This was done in an effort to align budgeted revenue with actual activity within business licensing. Over the course of 2007, staff continued to monitor revenues in business licensing to determine if an additional decrease should be considered in the 2008 budgeted revenues.

Based on the year-end revenues realized, with emphasis placed on the trends tracked in the last few months of 2007, it is recommended that the budgeted revenues from business licenses be reduced in the amount of \$0.279 million in 2008.

It is also recommended that the business licensing revenues continue to be evaluated in 2008 to determine if further adjustments should be considered during the 2009 Operating Budget process.



# 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
		\$	\$	\$	\$	\$
<b>2007 Council Approved Operating Budget</b>	<b>380.0</b>	<b>33,638.2</b>	<b>22,621.7</b>	<b>11,016.5</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments		(3.9)		(3.9)		
Corporate adjustments		128.3		128.3		
<b>2007 Approved Operating Budget</b>	<b>380.0</b>	<b>33,762.6</b>	<b>22,621.7</b>	<b>11,140.9</b>	<b>0.0</b>	<b>0.0</b>
Merit & Step		348.4		348.4	290.4	292.2
Economic factors		685.8	523.1	162.7		
<b>Adjusted Base Budget</b>	<b>380.0</b>	<b>34,796.8</b>	<b>23,144.8</b>	<b>11,652.0</b>	<b>290.4</b>	<b>292.2</b>
Other base changes		(62.9)	(136.0)	73.1	(115.4)	(115.4)
Base revenue changes			(278.6)	278.6		
Recommended Service Level Adjustments:						
Service efficiencies		(43.4)		(43.4)		
Revenue adjustments						
Minor service impact						
Major service impact	(11.0)	(540.8)		(540.8)	(96.7)	
<b>Total Recommended Base Adjustments</b>	<b>(11.0)</b>	<b>(647.1)</b>	<b>(414.6)</b>	<b>(232.5)</b>	<b>(212.1)</b>	<b>(115.4)</b>
<b>2008 Recommended Base Budget</b>	<b>369.0</b>	<b>34,149.7</b>	<b>22,730.2</b>	<b>11,419.5</b>	<b>78.3</b>	<b>176.8</b>
<b>2008 Program Operating Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>11,140.9</b>	<b>0.0</b>	<b>0.0</b>
<b>% Over (Under) Program Target</b>				<b>2.5%</b>	<b>0.7%</b>	<b>1.6%</b>
<b>% Over (Under) 2007 Appvd. Budget</b>				<b>2.5%</b>	<b>0.7%</b>	<b>1.6%</b>

**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 31, 2007	Proposed Withdrawals (-) / Contributions (+)		
			2008	2009	2010
		\$	\$	\$	\$
Vehicle Reserve	XQ1301	551.9	212.0	212.0	212.0
Insurance Reserve Fund	XR1010	24,027.8	128.4	128.4	128.4
<b>Total Reserve / Reserve Fund Draws / Contributions</b>		<b>24,579.7</b>	<b>340.4</b>	<b>340.4</b>	<b>340.4</b>