

Analyst Briefing Notes

Budget Committee

(January 28, 2008)

2008 OPERATING BUDGET

Executive Summary	2
Recommendations.....	4

Section A: 2007 Budget Variance Analysis5

2007 Experience	5
Impact of 2007 Operating Variance on 2008 Recommended Budget	6

Section B: 2008 Operating Budget Overview7

3-Year Operating Budget Overview	7
Challenges and Issues	7

Section C: 2008 Recommended Base Budget.....9

2008 Recommended Base Budget.....	9
2008 Key Cost Drivers and Reduction Strategies.....	9

Section D: 2007 Recommended Service Priorities11

Summary of 2008 New / Enhanced Service Priorities.....	N/A
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Section E: Issues for Discussion12

2008 Operating Budget Issues.....	12
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Appendices:

Appendix 1: Summary of Recommended Base Budget Changes from 2007 Approved Budget.....	14
Appendix 2: Summary of Service Level Adjustments	15
Appendix 3: Summary of 2008 Recommended New/Enhanced Service Priorities	N/A
Appendix 4: Inflows/Outflows to/from Reserves and Reserve Funds.....	16

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2008 OPERATING BUDGET**Executive Summary**

- The projected 2007 year-end net expenditure of \$15.364 million net is expected to be \$0.405 million below the 2007 Approved Operating Budget, mainly due to staff vacancies, the late start of the Toronto Office of Partnerships (TOP), and cost containment savings of \$0.185 million. These savings will not continue into 2008.
- The 2008 Recommended Operating Budget supports the 3-Year strategic direction outlined in the Social Development, Finance and Administration (SDFA) Service Plan, and provides funding for service priorities which include the following:
 - managing the 13 Neighbourhood Action teams in the City's priority neighbourhoods to better coordinate services, promote partnership opportunities in neighbourhood investment and developing and facilitating resident engagement;
 - continuing support for employment training initiatives for youth in community safety neighbourhoods by working with over 200 employers through the Toronto Youth Job Corps and Youth Employment Partnerships programs to serve 3,750 youth in 2008; coordinating and administering of the Community Partnership and Investment Program (CPIP), ensuring the investments are aligned with Council priorities; and.
 - responding to community needs by through engagement in new initiatives, including coordinating the framework for the redevelopment of Lawrence Heights through the newly created "Revitalization Secretariat", and working through the newly created Toronto Office of Partnerships (TOP) to seek strategic partners for initiatives that help support City programs and services designed to improve the quality of life for the City's residents.
- The 2008 Recommended Operating Budget of \$15.980 million net includes reductions of \$0.350 million to offset operating pressures, comprised of the following efficiencies: elimination of two administrative positions of \$0.131 million; reduction in discretionary expenditures of \$0.157 million; and absorption of non-payroll economic factors of \$0.062 million.
- The 2008 Recommended Operating Budget for SDFA is 1.3%, or \$0.211 million over the 2007 target, due to the annualization of five new full-time positions, approved in 2007 for the Toronto Office of Partnerships.

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.	28,454.2	27,658.9	27,207.0	0.0	27,207.0	(1,247.2)	(4.4)	402.9	365.4
REVENUE	12,684.7	12,294.8	11,226.6	0.0	11,226.6	(1,458.1)	(11.5)	0.0	0.0
NET EXP.	15,769.5	15,364.1	15,980.4	0.0	15,980.4	210.9	1.3	402.9	365.4
Approved Positions	228.8	228.8	225.8	0.0	225.8	(3.0)	(1.3)	0.0	0.0
TARGET			15,769.5		15,769.5				
\$ Over / (Under) Program Target			210.9		210.9				
% Over / (Under) Program Target			1.3%		1.3%				

- The 2008 Recommended Operating Budget is \$27.207 million gross and \$15.980 million net, and consists of base funding, with no new/enhanced service priorities. Approval of the 2008 Recommended Operating Budget will result in a reduction in staff complement of three approved positions, as two positions are eliminated through the implementation of Program efficiencies, and one position through the completion of the federally-funded Youth Employment and Local Leadership initiative.
 - The 2009 and 2010 Outlooks include increases of \$0.403 million and \$0.365 million respectively for merit and step increases, with no increase for COLA, as salaries and benefits are subject to future negotiations.
- The 2008 Base Budget of \$15.980 million net includes key cost drivers for COLA of \$0.387 million; merit and step increases of \$0.238 million; the annualization for five full-time positions for the Toronto Office of Partnerships (TOP) of \$0.211 million; and the non-labour inflationary increase of \$0.062 million. These increases are offset by efficiencies of \$0.350 million.
- The 2008 Recommended Budget provides resources that will fund community development projects; inter-governmental studies focused on fiscal and social research; financial oversight and control support services for Cluster A; and strategic policy program support designed to improve the quality of life for the City's residents, delivered (in part) through Community Partnership Investment Program (CPIP) and Toronto Office of Partnerships (TOP).
- Service priorities include implementing the City's Community Safety Plan by investing in the 13 priority neighbourhoods through coordination and leadership with Parks; working to develop partnerships with third-party organizations to help deliver services through TOP; and coordinating the delivery of the redevelopment plan for Lawrence Heights, in conjunction with City Planning and other City Programs.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for Social Development and Financial Administration of \$27.207 million gross and \$15.980 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Financial Oversight and Control	13,693.9	8,284.1
Strategic Policy & Program Support	7,366.7	5,470.5
Community Development	<u>6,146.4</u>	<u>2,225.8</u>
Total Program Budget	<u><u>27,207.0</u></u>	<u><u>15,980.4</u></u>

Section A: 2007 Budget Variance Analysis

Table 2: 2007 Budget Variance Review

	2006 Actuals	2007 Approved Budget	2007 Projected Actuals *	2007 Apprvd. Budget vs Projected Actuals Variance	
(In \$000s)	\$	\$	\$	\$	% Unspent
GROSS EXP.	25,595.5	28,454.2	27,930.0	524.2	1.8
REVENUES	9,921.5	12,684.7	12,190.1	494.6	3.9
NET EXP.	15,674.0	15,769.5	15,739.9	29.6	0.2
Approved Positions	223.8	228.8	228.8	0.0	0.0

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

2007 Experience

Social Development and Financial Administration's Third Quarter Variance Report projects an under expenditure of \$0.795 million gross, and a favourable net of \$0.405 million at year end.

The reduced expenditures of \$0.795 million are due to the following: staff vacancies of \$0.268 million; World Health Organization Safe Community Program (WHO) not proceeding, as the funding of \$0.200 million has not been confirmed; savings of \$0.185 million, following the implementation of cost containment measures; and under-spending by the Toronto Office of Partnerships (TOP) of \$0.142 million, attributable to the late start of the program.

Reductions in revenues correspond to loss of the WHO grant and related reductions in Provincial subsidy due to lower expenditures.

2007 Cost Containment Savings

Cost containment savings of \$0.185 million will be achieved through deferring the hiring of four support staff and through the reduction in discretionary spending as summarized in the following table:

Net Cost Containment Measure	2007 (\$000s) Savings	2008 (\$000s) Continued Savings	Comments
Hiring Freeze Savings:			
Defer hiring 4 support staff	(70.2)		One-time
Service Level Adjustments:			
Sub-total	(70.2)	0.0	
Discretionary Savings:			
Reduction in conferences, seminars, training, equipment and supplies	(115.0)		One-time
Sub-total	(115.0)	0.0	
TOTAL COST CONTAINMENT	(185.2)	0.0	

Impact of 2007 Operating Variance on 2008 Recommended Budget

The cost containment savings are not recommended to continue into 2008. All position vacancies are expected to be filled in 2008.

Section B: Operating Budget Overview

3-Year Operating Budget Overview

On an ongoing basis, Social Development, Finance and Administration (SDFA) will continue to provide leadership and support to the Deputy City Manager, for Citizen Centred Service “A” Cluster, and City Council to promote social inclusion, foster safe neighbourhoods and communities, promote community engagement and advance life skill opportunities for youth. The Program identifies and responds to community social needs, through CPIP and Youth Employment programs, and Community Safety Secretariat, undertakes social planning and trend analysis, develops social policy responses, provides financial, administrative, IT and communication support and oversight.

The 3-Year Operating Budget supports the strategic direction of SDFA to:

- effective coordination and direction of social policy and planning, analysis and research;
- provision, facilitation and brokering of effective financial, administrative, IT and communications support and oversight for 11 Programs in order to improve service delivery to residents, to meet Cluster accountability requirements, and to ensure alignment and compliance with corporate objectives;
- process 735 applications and provide 575 awards through the Corporate Community Partnership and ten boards of management;
- manage 13 Neighbourhood Action Teams established to identify investment opportunities and other priorities;
- process Ontario Works funding to financial institutions for clients totaling \$1.5 billion;
- provide service to 3,750 youths through various employment programs;
- process 560 provincial subsidy claims reconciliations with a value of \$688.0 million;
- provide social research and involvement in collaborative initiatives that support intergovernmental initiatives such as Provincial-Municipal Fiscal and Service Delivery Review and Tri-level Guns and Gangs Task Force; World Bank indicators project; Federation of Canadian Municipalities of Life Reporting.
- continue implementation of the City’s Community Safety Plan focusing on youth opportunities and crisis response; and
- working through the newly created Toronto Office of Partnerships, seek strategic partners for initiatives that help support City programs and services designed to improve the quality of life for the City’s residents.

Challenges and Issues

The challenges to delivering these priorities include:

- develop sustainable partnerships to advance life skill opportunities for youth;
- advance community capacity building, resident involvement, and engagement in neighbourhoods through initiatives such as Neighbourhood Action in 13 priority

neighbourhoods, the Regent Park Social Development Plan, and through coordinating the framework for the redevelopment of Lawrence Heights through the newly created “Revitalization Secretariat”.

- maintain and enhance capacity of community-based service sector to respond to community needs
- increase the public’s awareness and understanding of the City’s social conditions, and leading strategic policy and research initiatives on social inclusion;
- complete the consolidation and realignment of the financial and administrative support for the Cluster; and
- manage demand for additional investment in infrastructure in poor neighbourhoods, and implement and manage below market City space for community use.

A key challenge for SDFA in 2008 is to continue maintaining current service standards and performance in the face of increasing expectations and demands. The Program has, thus far, managed the increased workload by re-allocating and re-aligning existing resources. However, this presents an on-going challenge, as meeting increased Program expectations without an increase in either staffing or budget resources becomes more and more difficult.

Strategic Priorities

The 2008 Recommended Operating Budget directly advances the following priorities outlined in Council’s policy agenda:

- **Making a Safe City Safer**

The implementation of the City’s Community Safety Plan, which includes full implementation of neighbourhood action planning, focusing on creating new and innovative service delivery partnerships both between City service areas and between the City and other institutions, community based organizations, other orders of government and resident engagement, and further developing the City’s crisis response capacity in partnership with Toronto Police Service and Communities will strengthen our at-risk neighbourhoods.

- **Invest More in Youth**

Employment training to 3,750 youth in community safety neighbourhoods through partnerships with Toronto Social Service for Youth Employment, Youth entrepreneurship with EDCT, and participate in the Youth Training and Apprenticeship Opportunities Advancement program. The goal of this initiative is to expand and enhance opportunities for youth in areas such as employment, education, training, and mentorship.

- **Improve the Public Realm**

Toronto Office of Partnerships has been created, with the mandate to build new partnerships with businesses, not-for profit organizations, community groups and resident associations and individuals. The office seeks strategic partners for initiatives that help support programs and services offered by the City that are designed to improve the quality of life through supporting services that ensure prosperity, livability and opportunity for all residents in the City.

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.	28,454.2	27,207.0	(1,247.2)	(4.4)	402.9	365.4
REVENUE	12,684.7	11,226.6	(1,458.1)	(11.5)	0.0	0.0
NET EXP.	15,769.5	15,980.4	210.9	1.3	402.9	365.4
Approved Positions	228.8	225.8	(3.0)	(1.3)	0.0	0.0
TARGET		15,769.5			0.0	0.0
\$ Over / (Under) Program Target		210.9			402.9	365.4
% Over / (Under) Program Target		1.3%			2.5%	2.3%

2008 Recommended Base Budget

- The 2008 Recommended Base Budget of \$15.980 million net represents a \$0.211 million (1.3%) increase over SDFA's 2007 Approved Budget. The 2008 Recommended Base Budget is comprised of an increase in base pressures of \$0.561 million net, which are predominantly non-discretionary expenses, including COLA, merit and step increases, as well as the annualization of TOP. These pressures are offset by service efficiency reductions of \$0.350 million net.
- Efficiencies totaling \$0.350 million include the following: the elimination of two support positions of \$0.131 million, as these positions are no longer required; the reduction in discretionary expenditures of \$0.157 million to reflect actual experience; and the absorption of non-payroll economic factors of \$0.062 million.

2008 Key Cost Drivers and Reduction Strategies

A summary of the key cost drivers include following:

- Salaries and benefits have increased due to ongoing COLA of \$0.387 million, and merit and step of \$0.238 million; and
- The creation of the Toronto Office of Partnerships requires annualization of salaries and benefits for five full time positions hired in May 2007, impact of \$0.211 million.

Other base changes include the following:

- Reductions in 2008 gross and revenue for the completion of 100% funded initiatives total \$1.835 million, and include the following: the federally-funded Youth Employment and Local Leadership initiative of \$1.558 million, (with the reduction of one approved position); Ontario Works funding for the Priority Neighborhood initiatives of \$0.182 million, and Provincial funding for the Neighbourhood Youth initiative of \$0.095 million.
- Recoveries of the cost of a records clerk from Toronto Public Health of \$0.095 million, and reductions of \$0.053 million in printing charges.

Reduction strategies include the following:

- Service efficiencies totaling \$0.350 million include: the elimination of two approved positions of \$0.131 million; the reduction in discretionary expenditures of \$0.157 million; and the absorption of non-payroll economic factors of \$.062 million.

2009 and 2010 Outlook: Net Incremental Impact

The 2009 and 2010 Outlooks include increases of \$0.403 million and \$0.365 million respectively for merit and step increases, with no increase for COLA, as salaries and benefits are subject to future negotiations.

Section D: 2008 Recommended Service Priorities

Summary of 2008 Recommended Service Priorities

There are no new /enhanced service priorities for 2008.

Section E: Issues for Discussion

2008 Operating Budget Issues

Divisional Reorganization

In 2006, as part of the re-organization of the City's administrative structure, the financial and administration functions that support the divisions and the Deputy City Manager in Cluster "A" were re-aligned. The former Social Development and Administration Division was merged with the finance and administration functions in the former Customer and Business Support Division. At the same time, the Program assumed the additional responsibility of providing administrative support for EMS and PFR.

In 2008, the reorganization has resulted in additional savings of \$0.350 million net, with \$0.131 million through the elimination to two approved positions; \$0.157 million through reductions in training, equipment and supplies; and \$0.062 million through the absorption of non-payroll economic factors. In 2007, the savings from the reorganization was \$0.468 million. Future savings that may be realized from the divisional re-organization will be identified and reported through future years' budget reviews.

Toronto Office of Partnerships

In 2007, the Toronto Office of Partnerships (TOP) was established, adding five full-time employees, who have been seconded from other City Divisions. The 2007 Approved Budget included \$0.300 million for seven months expenditures for the TOP office. In 2008, the annualization of five months salaries for TOP results in a pressure of \$0.211 million, the sole reason that SDFA is over the 2008 target.

One of the initiatives emanating from the Mayor's priorities was the establishment of TOP, with the mandate to build new partnerships with businesses, not-for profit organizations, community groups and resident associations and individuals. The office seeks strategic partners for initiatives that help support programs and services offered by the City that are designed to improve the quality of life through supporting services that ensure prosperity, livability and opportunity for all residents in the City.

Since its establishment in July, the office has been involved with the following initiatives:

- developed corporate protocol that supports partnership relations with operating divisions that are seeking opportunities to augment funding of services;
- partnered with Nature Valley to help support the beautification of the Toronto Island Ferry Docks park entrance;
- partnered with Master Card Canada in securing support to help maintain outdoor ice rinks services across the City; and

- reviewed promotions and proposals associated with the \$24 million to be realized through fundraising as part of the \$40 million requirement for the revitalization and restoration of Nathan Phillips Square;

TOP will continue to work with the community and City Divisions to develop a new partnership protocol focused on naming rights of specific City assets; 13 Priority Neighbourhoods; climate change; Clean and Beautiful; and investment in public infrastructure, such as affordable housing, transportation, parks, and other public space.

Appendix 1

Summary of Recommended Base Budget Changes from 2007 Approved Budget

	Summary of 2008 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2009	2010
(\$000's)		\$	\$	\$	\$	\$
2007 Approved Operating Budget	223.8	28,418.5	12,493.4	15,925.1	0.0	0.0
In-year approvals and technical adjustments	5.0	35.7	191.3	(155.6)		
2007 Approved Operating Budget	228.8	28,454.2	12,684.7	15,769.5	0.0	0.0
Prior year impacts	(1.0)	(891.5)	(1,391.1)	499.6	402.9	365.4
Zero base items						
Economic factors		81.5	20.0	61.5		
Adjusted Base Budget	227.8	27,644.2	11,313.6	16,330.6	402.9	365.4
Other base changes						
Base revenue changes						
2008 Base Budget Request	227.8	27,644.2	11,313.6	16,330.6	402.9	365.4
Recommended Base Adjustments:						
Other base changes						
Service efficiencies	(2.0)	(437.2)	(87.0)	(350.2)		
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	(2.0)	(437.2)	(87.0)	(350.2)	0.0	0.0
2008 Recommended Base Budget	225.8	27,207.0	11,226.6	15,980.4	402.9	365.4
2008 Program Operating Target	N/A	N/A	N/A	15,769.5	N/A	N/A
% Over (Under) Program Target				1.3	2.6%	2.3%
% Over (Under) 2007 Approved Budget				1.3	2.6%	2.3%

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
		\$	\$	\$	\$
Sick Leave Reserve Fund	XR1007	67,265.9	67.1	67.1	67.1
Insurance Reserve Fund	XR1010	17,456.0	50.1	50.1	50.1
Ontario Works	XR2101	2,149.1	(62.3)	(62.3)	(62.3)
Total Reserve / Reserve Fund Draws / Contributions			54.9	54.9	54.9