

Analyst Briefing Notes

Budget Committee

(January 28, 2008)

2008 OPERATING BUDGET

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January 28, 2008

2008 OPERATING BUDGET

Executive Summary

- Toronto and Region Authority (TRCA)'s 2007 projected year-end net expenditure of \$3.094 million matches the TRCA 2007 Approved Operating Budget.
- TRCA's 3-Year Operating Budget is premised upon *The Living City* mission statement. While the Program's vision is to work with its partners to ensure that The Living City is built upon a natural foundation of healthy rivers and shorelines, greenspace and biodiversity, and sustainable communities, TRCA faces difficulty in achieving its service mandate because of the need to balance its requirements for an increasing level of funding support from the City against the City's fiscal pressures.
- The 2008 Recommended Operating Budget for TRCA is 2.5% (\$0.077 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)									
GROSS EXP.	36,625.7	36,002.3	36,530.9	832.1	37,363.0	737.3	2.0		
REVENUE	29,765.8	29,142.3	29,467.8	832.1	30,299.9	534.1	1.8		
NET EXP.	6,859.9	6,860.0	7,063.1	0.0	7,063.1	203.2	3.0		
Less Toronto Water contribution	3,765.7	3,765.7	3,892.0		3,892.0				
Tax-supported	3,094.2	3,094.3	3,171.1		3,171.1				
Approved Positions	410.8	410.8	409.4	11.8	421.2	10.4	2.5		
TARGET			3,094.2		3,094.2				
\$ Over / (Under) Program Target			76.9		76.9				
% Over / (Under) Program Target			2.5%		2.5%				

- The 2008 Recommended Operating Budget for Toronto and Region Conservation Authority (TRCA) is \$7.063 million net, of which \$3.892 million is a contribution from Toronto Water and \$3.171 million is tax-supported. The 2008 Recommended Budget is comprised of base funding of \$7.063 million and new/enhanced service priorities of \$0.832 million gross expenditure and revenues for a \$0 net cost. Approval of the 2008 Recommended Operating Budget will result in TRCA's staff complement increasing from 410.8 to 421.2 approved positions.

- The 2008 Recommended Base Budget is \$7.063 million net or 2.5% over the 2008 target. The base budget incorporates TRCA's key cost drivers including COLA and other non-discretionary expenditures that total \$0.737 million gross. These are partially defrayed by revenue increases of \$0.660 million, from increased funding from non-debt internal sources such as Toronto Water and external sources such as TRCA's other funding partners.
- The 2008 Recommended Operating Budget incorporates \$0.832 million gross expenditures and \$0 net cost of new/enhanced priorities in various existing services, resulting in the addition of 11.8 additional positions. The enhancements are required to meet increasing service demands in the various programs. The cost of the enhanced services are either fully covered by incremental fee revenues or other non-City funding sources. The enhanced services include the following:
 - Expansion of the wedding program at Kortright Centre (0.8 positions);
 - Expanded archaeological and planting program (0.9 positions);
 - Planners for Environmental Assessments (3.0 positions);
 - Teaching and cooking staff for the Conservation Field Centres (2.3 positions); and
 - Expanded golf course and swimming programs (2.3 seasonal positions).
- In September 2006, City Council adopted a report that Toronto Water and the Financial Planning Division developed, in consultation with TRCA. The report established a policy for a consistent approach to deriving the proportions of the TRCA capital and operating budgets that are funded from water reserves. As a result, the Toronto Water 2008 Approved Operating Budget includes a contribution of \$3.892 million to the TRCA 2008 Recommended Operating Budget. This equates to an increase of \$0.126 million over the 2007 contribution.
- The 2008 Recommended Operating Budget of \$7.063 million net, of which \$3.892 million is contributed by Toronto Water and \$3.171 million is tax-supported, meets City priorities including the Waterfront Revitalization, Clean and Beautiful City, and 13 Priority Neighbourhoods. The budget supports TRCA's area of jurisdiction and mandate as follows:
 - 3,467 square kilometres of which Toronto comprises 632 square kilometres or 18%;
 - Total population of TRCA's participating municipalities is 4.269 million of which 2.482 million or 58% are Toronto residents;
 - Politically includes all of Toronto, major portions of the regions of Peel, York, Durham, the Town of Mono and the Township of Adjala-Tosorontio;
 - 9 watersheds stretching from Lake Ontario to Oak Ridges Moraine;
 - 42 kilometres of Lake Ontario shoreline stretching from Mississauga to Ajax; and
 - Over 38,200 acres of conservation and hazard land in ownership on behalf of residents (of which 11,868 acres are in Toronto).

- The 2008 Recommended Operating Budget also allows TRCA to offer the following base services and enhancements:
 - *Watershed Health* protects, manages and restores water and land resources within the 9 watersheds of the region; promotes plant and animal life in green space; and encourages environmentally friendly practices (\$20.007 million gross and \$2.926 million net);
 - *Public Use Recreation* provides high quality and well-used public use programs and facilities and delivers programs where TRCA makes its holdings available for public at 9 Conservation Areas and Black Creek Pioneer Village (\$11.935 million gross and \$0.632 million net);
 - *Rouge Park Interim Management* oversees the development and administration of the largest urban park in North America (\$0.479 million gross and \$0.07 million net);
 - *Corporate Services* provides strategic leadership and direction, as well as administrative services to meet regulatory compliance and organizational and governance requirements of TRCA stakeholders (\$4.943 million gross and \$3.434 million net);
 - *Enhanced services* for the wedding program at Kortright Centre, archaeological and planting program, Environmental Assessments, Conservation Field Centres, and the golf and swimming programs result in 11.8 additional positions. The expanded services are in response to increased service demands and the costs are fully covered by fee revenues and other non-City funding (\$0.832 million gross and \$0 net).

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for Toronto and Region Conservation Authority of \$37.363 million gross and \$7.063 million net, of which \$3.892 million is a contribution from Toronto Water and \$3.3171 million is tax-supported, and which is comprised of the following services, be approved:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Watershed Health	20,006.9	2,926.4
Public Use Recreation	11,934.8	631.9
Rouge Park Interim Management	478.6	70.4
Corporate Services	4,942.7	3,434.4
	<hr/>	<hr/>
Total Program Budget	37,363.0	7,063.1
Less Toronto Water contribution		<hr/> (3,892.0)
Tax-Supported Budget		<hr/> <hr/> 3,171.1

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.	33,660.4	36,625.7	36,002.3	(623.4)	(1.7)
REVENUES	27,054.0	29,765.8	29,142.3	(623.5)	(2.1)
NET EXP.	6,606.4	6,859.9	6,860.0	0.1	0.0
Less Toronto Water contribution	3,393.1	3,765.7	3,765.7		
Tax-supported	3,213.3	3,094.2	3,094.3	0.1	0.0
Approved Positions	389.3	410.8	410.8		

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

2007 Experience

Toronto and Region Authority's Third Quarter Variance Report for 2007 indicates that the Program is tracking to budget on a net expenditure basis. The Program's year-end projection of \$3.094 million net matches its 2007 Approved Operating Budget.

Although there is no net variance, there are variances in gross expenditures and revenue, as described below:

- Gross expenditures are projected to be under-budget by \$0.623 million. About 3 years ago, the Province announced a program to reduce property taxes for lands held for conservation purposes. TRCA accrued the anticipated savings in 2005 and 2006 but, because of a provincial administrative error, TRCA has been denied the reduction for 2005 through 2007, generating a shortfall of \$0.600 million. TRCA is not requesting this amount from the City;
- Revenue is also projected to be under-budget by \$0.623 million as a result of the following factors:
 - There is evidence that TRCA's fundraising arm, the Conservation Foundation, will be short of its target by between \$0.200 million and \$0.400 million; TRCA is not requesting this amount from the City; and
 - A shortfall in a provincial contribution and fundraising from the Community Transformation Program has emerged.
- To deal with the revenue shortfall, TRCA has implemented general cost constraints and a hiring freeze.

2007 Cost Containment Savings

- TRCA did not participate in the City's 2007 cost containment exercise. It also had some of its own financial challenges arising from unexpected revenue shortfalls.

Impact of 2007 Operating Variance on the 2008 Recommended Budget

- There is no impact from the 2007 Operating Variance on the 2008 Recommended Budget.

Section B: 2008 Operating Budget Overview

3-Year Operating Budget Overview

- TRCA's 3-Year Operating Budget is premised upon *The Living City* mission statement which is as follows:
 - The quality of life on Earth is being determined in the rapidly expanding city regions. TRCA's vision is for a new kind of community, The Living City, where human settlement can flourish forever as part of nature's beauty and diversity.
 - TRCA's mission is to work with its partners to ensure that The Living City is built upon a natural foundation of healthy rivers and shorelines, greenspace and biodiversity, and sustainable communities.
- To achieve this vision, TRCA is structured along the following service lines:

SERVICE AREA	DESCRIPTION
Watershed Health	Protect, manage and restore water and land resources by promoting safe, clean and vibrant rivers and shorelines within the 9 watersheds of the region, promoting a rich variety of plants and animals that thrive in a network of greenspace, and assisting people to engage in environmentally friendly practices, including Conservation Education programs at Kortright Living City Centre and 3 Field Centres which aim to influence people's stewardship of those resources.
Public Use Recreation	Provide high quality and well-used public use programs and facilities. Deliver programs where TRCA makes its considerable holdings available for public use at 9 Conservation Areas and Black Creek Pioneer Village.
Rouge Park Interim Management	Cover administrative costs for the management and development of the largest urban park in North America.
Corporate Services	Provide typical administrative services and support. Provide strategic leadership, executive direction, and decision making, and the tools to do the job. Provide support to meet regulatory compliance, organizational and governance requirements of TRCA stakeholders.

- TRCA faces difficulty in achieving its service mandate because of the need to balance its requirements for an increasing level of funding support from the City against the City's fiscal pressures.
- The TRCA 2008 Recommended Operating Budget is \$7.063 million net, of which \$3.892 million is a contribution from Toronto Water and \$3.171 million is tax-supported. This is

\$0.077 million (2.5%) over the Program's net target of \$3.094 million. The Recommended Operating Budget incorporates certain base expenditures and attempts to minimize their effects by recommending feasible reduction options.

- TRCA's 2008 Recommended Operating Budget adds 10.4 additional positions to the Program's staffing complement. All of these positions support the new and enhanced services recommended for 2008. TRCA's staffing complement would increase from 410.8 to 421.2 approved positions.
- The TRCA 2008 Recommended Operating Budget also contains additional revenue of \$0.126 million from an increase in the contribution from Toronto Water and a \$0.053 million favourable adjustment from the revised current value assessment which determines how TRCA's budget is shared among its funding partners. Toronto's share fell from 66.6% for 2007 to 66.0% for 2008.
- TRCA recognizes that the increased level of support from the City in 2009 and 2010 must be balanced against the fiscal pressure of the City. TRCA will maintain its programs and activities and continue to pursue The Living City vision within the constraints of the municipal environment while seeking new funding opportunities.

Challenges and Issues

TRCA faces the challenge of achieving its service mandate while balancing its requirement for an increasing level of funding support from the City against the City's fiscal constraints. With the rapid pace of development in the Toronto region, demands and expectations for TRCA services in the planning and environmental areas have increased while the 2008 Recommended Operating Budget offers the same level of service as in 2007.

Strategic Priorities

The 2008 Recommended Operating Budget for TRCA addresses the following strategic objectives:

- **Healthy Rivers and Shorelines**

TRCA will work to restore the integrity and health of the regions' rivers and waters from the headwaters in the Oak Ridges Moraine, throughout each of the 9 watersheds in TRCA's jurisdiction, to the Toronto Waterfront on Lake Ontario.

- **Regional Biodiversity**

TRCA strives to protect and restore a regional system of natural areas that provide habitat for diverse plant and animal species, improve air quality and provide opportunities for the enjoyment of nature.

- **Sustainable Communities**

The Program aims to facilitate broad community understanding, dialogue and action toward integrated approaches to sustainable living and City building that improves the quality of life for residents, businesses and nature.

- **Business Excellence**

TRCA pursues continuous improvement in the development and delivery of all programs through creative partnerships, diverse funding sources and careful auditing of outcomes and effectiveness.

The 2008 Recommended Operating Budget for TRCA also supports the City's priorities in a number of ways:

- **Progress on the Waterfront**

TRCA is a major partner with Waterfront Toronto (TWRC) and the City in the development of the waterfront. Operational support provided by TRCA is critical for completion of key City waterfront projects including Port Union, Mimico Parks and the lower Don River.

- **Clean and Beautiful City**

TRCA's work on the waterfront and support for City Parks and Works contributes directly to this priority of making Toronto a Clean and Beautiful City.

- **Strengthen At Risk Neighbourhoods**

TRCA supports the City's urban farm initiative on land adjacent to Black Creek Pioneer Village (BCPV) and through BCPV's relationship with local schools in the Jane/Finch area. TRAC is a leader in volunteer development, mentorship and training programs aimed at new Canadians.

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.	36,625.7	36,530.9	(94.8)	(0.3)		
REVENUE	29,765.8	29,467.8	(298.0)	(1.0)		
NET EXP.	6,859.9	7,063.1	203.2	3.0		
Less Toronto Water contribution	3,765.7	3,892.0	126.3	3.4		
Tax-supported	3,094.2	3,171.1	76.9	2.5		
Approved Positions	410.8	409.4	(1.4)	(0.3)		
NET TARGET		3,094.2			0.0	0.0
\$ Over / (Under) Program Target		76.9			0.0	0.0
% Over / (Under) Program Target		2.5%			0.0%	0.0%

2008 Recommended Base Budget

- The 2008 Recommended Base Budget of \$7.063 million net, of which \$3.892 million is a contribution from Toronto Water and \$3.171 million is tax-supported, represents a \$0.077 million (2.5%) increase over TRCA's 2007 Approved Budget. The 2008 Recommended Base Budget will largely serve to maintain service levels offered in 2007.
- Recommended gross expenditures for 2008 are \$0.095 million lower than in 2007 due to increased non-discretionary costs offset by a reconciliation adjustment. (See discussion in "2008 Key Cost Drivers and Reduction Strategies" section below.)
- Budgeted revenue for 2008 is \$0.298 million lower than in 2007 due to increased funding from non-debt sources such as Toronto Water (internal) and a greater share from TRCA's other funding partners (external). (See discussion in "2008 Key Cost Drivers and Reduction Strategies" section below.)
- The 2008 Recommended Base Budget results in 409.4 approved positions. This is 1.4 fewer than the staff complement level of 410.8 in 2007.

2008 Key Cost Drivers and Reduction Strategies

- The reduction of \$0.095 million in gross expenditure recommended for TRCA's 2008 Base Budget reflects increased costs of \$ 1.773 million gross for the following items, offset by an adjustment of \$1.845 million gross to reconcile the final TRCA 2007 gross budget as approved by the Authority in April 2007 with the City of Toronto 2007 Approved Operating Budget for TRCA as approved by City Council in March 2007:
 - Prior year impacts, all annualizations, create a \$0.098 million net pressure after mitigation by higher user fees. Associated with this pressure is a requirement to annualize 2.2 approved positions which are already filled.
 - Cost of living adjustments (COLA) that average approximately 2% for 2008 are non-discretionary expenditures that result in additional costs of \$0.101 million net after offsets by non-Toronto funding.
 - Step increases account for a net pressure of \$0.029 million after offsets by non-Toronto funding.
 - Non-labour economic factors account for \$0.050 million in pressure after mitigation by higher user fees.
- Alleviating some of this expenditure impact in the TRCA 2008 Recommended Base Budget are the following:
 - A \$0.126 million increase in the contribution from Toronto Water; and
 - A reduction in the City of Toronto's share of TRCA's operating budget, down from 66.6% for 2007 to 66.0% for 2008, derived by the provincially-legislated current value assessment formula.
- To further constrain the growth of the base budget, an efficiency measure to make strategic reductions to seasonal staff is included, generating additional savings of \$0.022 million. Additional reductions to Toronto's contribution are difficult since every reduction must also be passed on to the Peel, York and Durham regions, resulting in an overall larger reduction to the Program's funding

2009 and 2010 Outlook: Net Incremental Impact

TRCA projects no net incremental increase arising from operating impacts of capital, merit/step pressures, annualizations or any other known incremental impacts in its 2009 and 2010 Outlook, except for future inflationary impacts.

Section D: 2008 Recommended Service Priorities

Table 4: Summary of 2008 New / Enhanced Service Priorities (In \$000s)

Priority	Description	2008 Recommended		Rec. New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.		2009	2010
		\$	\$		\$	\$
(a) Enhanced Service Priorities - Council Approved:	None					
(b) Enhanced Service Priorities - Program Initiated:	Minor Increases in Service Levels in Various Existing Services	832.1	0.0	11.8		
Sub-Total Enhanced Services		832.1	0.0	11.8	0.0	0.0
(a) New Service Priorities - Council Approved:	None					
(b) New Service Priorities - Program Initiated:	None					
Sub-Total New Service Priorities		0.0	0.0	0.0	0.0	0.0
Total Recommended New / Enhanced Service Priorities		832.1	0.0	11.8	0.0	0.0

Recommended Enhanced Service Priorities – Program Initiated:

Minor Increases in Service Levels in Various Existing Services (\$0.832 million gross and \$0 net)

TRCA will implement minor enhancements to the service levels for existing services to increase gross expenditures and revenue by \$0.832 million each for a \$0 net cost. These adjustments also require 11.8 new positions: 5.4 permanent and 6.4 temporary. The enhancements are required to meet increasing service demands in the various programs. The cost of the enhanced services are either fully covered by incremental fee revenues or other non-City funding sources. The enhanced services include the following:

- Expansion of the wedding program at Kortright Centre arises from an increased demand for the program and the potential to earn operating surpluses. The expansion requires 0.8 additional positions and the cost is fully covered by additional revenues;

- As redevelopment in the GTA grows, the need arises for an expanded archaeological and planting program. This enhanced service requires 0.9 additional positions of which the cost is completely offset by user fees;
- The addition of 2.3 teaching and cooking positions for the Conservation Field Centres will meet increased bookings and the course fees will offset the cost of the service enhancement;
- Expanding the golf course and swimming programs with 2.3 additional seasonal positions will also meet increased use of the park grounds. The cost of expansion will be fully covered by user fees; and,
- Adding 3.0 incremental planner positions for Environmental Assessments are required to meet higher volumes and improve service efficiency. The enhanced service is fully funded by the Regions of Peel and York.

Section E: Issues for Discussion**2008 Operating Budget Issues*****Water Rate Funding***

In September 2006, City Council adopted a report that established a policy for a consistent approach to determining the proportions of the TRCA capital and operating budgets that will be funded from water reserves. This policy was developed by Toronto Water and the Financial Planning Division, in consultation with TRCA.

The Toronto Water 2008 Approved Operating Budget includes a contribution of \$3.892 million to the TRCA 2008 Recommended Operating Budget. This equates to an increase of \$0.126 million over the 2007 contribution.

Issues Referred to 2008 Operating Budget Process

None

Future Year Issues

None

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	410.8	36,625.7	29,765.8	6,859.9	0.0	0.0
In-year approvals and technical adjustments						
Corporate adjustments						
2007 Approved Operating Budget	410.8	36,625.7	29,765.8	6,859.9	0.0	0.0
Less Toronto Water contribution				3,765.7		
Tax-supported				3,094.2		
Prior year impacts	2.2	1,120.3	992.6	127.7		
Zero base items						
Economic factors		652.3	501.6	150.7		
Adjusted Base Budget	413.0	38,398.3	31,260.0	7,138.3	0.0	0.0
Other base changes	(3.1)	(1,845.4)	(1,845.4)	0.0		
Base revenue changes						
Recommended Service Level Adjustments:						
Service efficiencies						
Revenue adjustments			53.2	(53.2)		
Minor service impact	(0.5)	(22.0)		(22.0)		
Major service impact						
Total Recommended Base Adjustments	(3.6)	(1,867.4)	(1,792.2)	(75.2)	0.0	0.0
2008 Recommended Base Budget	409.4	36,530.9	29,467.8	7,063.1	0.0	0.0
Less Toronto Water contribution				3,892.0		
Tax-supported				3,171.1		
2008 Program Operating Target	N/A	N/A	N/A	3,094.2	0.0	0.0
% Over (Under) Program Target				2.5%	0.0%	0.0%
% Over (Under) 2007 Appvd. Budget				2.5%	0.0%	0.0%

Appendix 2
Summary of Service Level Adjustments

Appendix 3

Summary of 2008 Recommended New / Enhanced Service Priorities