

Analyst Briefing Notes

Budget Committee

(January 28, 2008)

2008 OPERATING BUDGET

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January 30, 2008

2008 OPERATING BUDGET**Executive Summary**

- The 2007 projected year-end net expenditures for the Waterfront Secretariat are expected to be \$1.004 million or \$0.078 million (7.2%) below the 2007 Approved Operating Budget primarily due to savings in discretionary spending resulting from cost containment measures.
 - The cost containment savings have been achieved by delaying consulting costs on land transfers in the East Bayfront and the Soil Settlement Peer Review in West Donlands.
 - The cost containment measures implemented in 2007 have not been recommended to be continued into 2008.
- Waterfront Secretariat's strategic direction over the next three years is to continue coordinating the resources necessary to advance, simplify, and expedite Waterfront Revitalization by providing one window access to Waterfront Toronto and government partners to all municipal programs, services and agencies involved in the revitalization while ensuring that the City effectively undertakes all steps necessary for Waterfront Toronto to achieve the deliverables outlined in its Five-Year Plan, as endorsed by City Council.

Waterfront Secretariat has identified the following key challenges:

- Limited control over Waterfront Toronto's schedules and resource allocation.
- Cross-divisional coordination of Waterfront-related activities.
- The 2008 Recommended Operating Budget for Waterfront Secretariat is \$1.413 million gross and \$1.082 million net, an increase of 7.2% gross (\$0.095 million) and 0% net over the 2007 Approved Operating Budget, which is the program's 2008 target.
- The 2008 Recommended Operating Budget for Waterfront Secretariat of \$1.082 million net is comprised entirely of base funding with no new/enhanced service priorities. This represents a 0% increase over the 2007 Approved Operating Budget of \$1.082 million net and maintains the 2007 service levels.
- The 2008 Recommended Operating Budget for Waterfront Secretariat of \$1.413 million gross will provide funding to expedite the City's review, regulatory, and approval processes and participation in Precinct Planning for the lower Don Lands and Port Lands areas as well as implementation of Water's Edge enhancements in the Central Waterfront and the continued development and implementation of the Western Waterfront Master Plan (\$0.200 million) and a Land Management Protocol for the transfer of public lands in the Waterfront to the City or a third party developer.

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 Actuals	2008 Base	2008 New /Enhanced	2008 Operating Budget			2009	2010
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	1,317.9	1,239.9	1,412.7	0.0	1,412.7	94.8	7.2	(238.6)	
REVENUE	236.2	236.2	331.0	0.0	331.0	94.8	40.1	0.0	
NET EXP.	1,081.7	1,003.7	1,081.7	0.0	1,081.7	0.0	0.0	(238.6)	
Approved Positions	8.0	8.0	9.0	0.0	9.0	1.0	12.5	0.0	
TARGET			1,081.7		1,081.7				
\$ Over / (Under) Program Target			0.0		0.0				
% Over / (Under) Program Target			0.0%		0.0%				

- The 2008 Recommended Operating Budget for Waterfront Secretariat is comprised of a Base Budget of \$1.413 million gross and \$1.082 million net, and no new/enhanced service priorities. This represents a 0% increase over the 2007 Approved Operating Budget of \$1.082 million.
 - The 2009 and 2010 Outlook has a decrease of \$0.238 million in gross and net expenditures in 2009 arising from adjustments of maternity leave top up and reduction of one working day in the 2009 calendar year (\$0.038 million) and reversal of funding for the development of a Western Waterfront Master Plan (\$0.200 million).
- The 2008 Recommended Operating Budget is consistent with the strategic initiatives outlined in Waterfront Secretariat's 2008 Service Plan and provides funding for base budget pressures and service priorities which include the following:
 - An increase of \$0.043 million in gross expenditure to meet staff related costs that include COLA, merit & step, and fringe benefits and \$0.035 million to fund maternity leave top up for one employee.
 - The increase in expenditures will be offset by an increase in revenue resulting from a transfer of \$0.015 million from the Waterfront Revitalization Capital program to fund COLA adjustments for 2 Waterfront Secretariat staff and a funding reduction of \$0.063 million for consulting costs, resulting in a net expenditure of \$1.082 million which is the 2007 Approved Operating Budget, and 2008 target.
 - A \$0.080 million increase in revenue from the Waterfront Revitalization Capital program to fund a temporary Waterfront Project Manager position from April 2008 to December 2008. This position is funded by Technical Services until March 2008.
- The Waterfront Secretariat's 2008 Recommended Operating Budget contributes to the achievement of the Mayor and Council priority of "Making Progress on the Waterfront". The Waterfront Secretariat manages the City's participation in Toronto Waterfront Revitalization Initiative which aims to "Continue to Build a Clean, Green and Beautiful Waterfront" and to create a "Better Transit Today" by developing rapid transit system through the East Bayfront and West Don Lands and upgrading passenger capacity and safety at Union Station.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for the Waterfront Secretariat of \$1.413 million gross and \$1.082 million net, comprised of the following service, be approved:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Waterfront Secretariat	<u>1,412.7</u>	<u>1,081.7</u>
Total Program Budget	<u>1,412.7</u>	<u>1,081.7</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.	879.8	1,317.9	1,239.9	(78.0)	(5.9)
REVENUES	129.1	236.2	236.2	0.0	0.0
NET EXP.	750.7	1,081.7	1,003.7	(78.0)	(7.2)
Approved Positions	8.0	8.0	8.0	0.0	0.0

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

2007 Experience

Waterfront Secretariat's Third Quarter Operating Budget Variance Report indicates a favourable variance of \$0.078 million at year-end. This variance of \$0.078 million is 7.2% below the 2007 Approved Operating Budget of \$1.082 million. The forecasted favourable variance arises from savings in gross expenditures.

- The 2007 gross expenditures for Waterfront Secretariat are projected at \$1.240 million by the end of the year, 5.9%, or \$0.078 million below the 2007 Approved Operating Budget gross expenditures of \$1.318 million. The total variance of \$0.078 million is attributed to savings in discretionary spending resulting from implementation of cost containment measures.
- Waterfront Secretariat is projecting that its year-end revenue, which comprises of transfers from the Waterfront Revitalization Initiative's Capital Budget, will be on target at the 2007 Approved Operating Budget of \$0.236 million.
- It is projected that all 8 of the approved positions for the Waterfront Secretariat will continue to be filled at year-end in addition to a temporary Waterfront Project Manager position that is currently funded by Technical Services up to March 31, 2008.

2007 Cost Containment Savings

- The Waterfront Secretariat implemented cost containment measures in 2007 by delaying consulting costs with respect to land transfers in the East Bayfront and the Soil Settlement Peer Review in West Donlands, measures that the Secretariat expects to achieve savings of \$0.078 million by year end as detailed in the table below.

2007 Cost Containment Table

Net Cost Containment Savings	2007 (\$000s) Savings	2008 (\$000s) Continued Savings	Comments
Hiring Freeze Savings:			
Service Level Adjustments:			
Discretionary Savings:			
Deferred/Cancelled Consulting Costs	77.9	63.3	Proposed as a reduction option for 2008
Sub-total	77.9	63.3	
TOTAL COST CONTAINMENT	77.9	63.3	

Impact of 2007 Operating Variance on the 2008 Recommended Budget

- The 2008 Recommended Base Budget for Waterfront Secretariat of \$1.413 million gross and \$1.082 million net meets the program's net target. The one-time cost containment measures implemented in 2007 that decreased expenditures by \$0.078 million are not recommended to continue into 2008. Consulting with respect to land transfers in the East Bayfront and the Soil Settlement Peer Review in West Donlands that had been delayed in 2007 as a result of cost containment measures is expected to proceed in 2008.
- The funding for consulting will not be reinstated for 2008. Waterfront Secretariat staff have confirmed that where feasible, they will request Waterfront Toronto to fund some of the studies.

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

Waterfront Secretariat's 3 Year Operating Budget supports the continued management of the resources necessary to advance, simplify, and expedite Waterfront Revitalization by providing one window access to Waterfront Toronto and government partners to all municipal programs, services and agencies. The Secretariat aims to ensure that the City effectively undertakes all steps necessary to achieve the deliverables outlined in the Five-Year Plan for Waterfront Revitalization as endorsed by City Council.

- The Secretariat plans to accomplish the following priorities over the next 3 years:
 - Ensure that the City effectively takes all regulatory, management and other steps necessary to achieve deliverables outlined in the Long-Term Funding Plan (2007-2016) for waterfront renewal, as approved by Council in July, 2007.
 - Continue to manage and direct activities in the Waterfront that are beyond the mandate of Waterfront Toronto (WT), including preparation of Western Waterfront Master Plan and the environmental assessment for the Fort York Pedestrian Bridge.
 - Ensure that issues of governance, funding, audit, accountability, risk management, environmental assessment, and land management are effectively addressed within the City and with the provincial and federal partners.
- The 2009 and 2010 expenditure Outlooks include sufficient funding in the base budget, to advance the Mayor and Council priority of "Making Progress on the Waterfront". The Waterfront Secretariat manages the City's participation in Toronto Waterfront Revitalization Initiative which aims to "Continue to Build a Clean, Green and Beautiful Waterfront".
- In 2007, Council approved funding of \$0.400 million over a 2-year period for development of the Western Waterfront Master Plan, a comprehensive study to identify and map land use requirements that consider natural features, existing and proposed parks infrastructure requirements, and other issues such as aquatic habitat, breakwall conditions, beach erosion, transit and pedestrian requirements. The \$0.200 million funding was included in the base budget for Waterfront Secretariat in 2007 and the 2008 Recommended Operating Budget with a future year reduction of \$0.200 million in 2009.
- Other than cost of living adjustments and merit and step increase that will be factored into the Budget once negotiations are finalized, there are no other cost drivers that are expected to affect the 2009 and 2010 operating budgets.

Challenges and Issues

Waterfront Secretariat has identified two key challenges in the delivery of its services: limited direct control over Waterfront Toronto's schedules and resource allocation and cross-divisional coordination. To address the challenges, the Secretariat plans to implement the following:

- Enhance joint planning processes with Waterfront Toronto and develop a Memorandum of Understanding (MOU) with Waterfront Toronto that would confirm deliverables for 2008 on a project-by-project basis.
- The Secretariat will attempt to influence tighter time frames, where required by the Waterfront Toronto Master Schedule, and explore the possibilities of including staff performance requirements in 2008 in MOUs with City divisions that have staff dedicated to the Waterfront Revitalization Initiative. Priority setting and work related to Waterfront revitalization will be managed through the Secretariat for better coordination and delivery of projects.
- The Secretariat is also in the process of reviewing and identifying its performance targets such as the number of weeks to process funding payment from Waterfront Toronto and turnaround time to provide City review and/or approvals to Waterfront Toronto at various stages of development of West Don Lands, East Bayfront, and public realm and park projects. It is anticipated that these targets will result in timely processing of Waterfront Toronto quarterly funding requests and delivery of the City's priority projects at the Waterfront.

Strategic Priorities

The Waterfront Secretariat manages and coordinates the resources necessary to advance, simplify, and expedite revitalization of the Waterfront.

The 2008 Recommended Operating Budget for the Secretariat advances, indirectly, through coordination of the Waterfront Revitalization Initiative projects, the strategic priorities outlined in Council's policy agenda of "*Making Progress on the Waterfront*". The Waterfront Revitalization Initiative is aligned with, but not limited to the following priorities outlined in the City's strategic priorities:

- ***Better Transit Today***

The 5-Year Capital Plan calls for a cash flow funding of \$62.014 million for Transportation Initiatives and \$29.435 million for the Union Station Subway platform to create a '*Better Transit Today*' by developing rapid transit system through the East Bayfront and West Donlands, and upgrading passenger capacity and safety at Union Station.

- ***Economy that Creates Jobs for Torontonians & Prosperity for Whole Country***

Precinct Implementation Projects with funding of \$66.145 million will develop the West Don Lands and East Bayfront Precincts and the Portlands will realize the goal of nurturing an '*Economy that Creates Jobs for Torontonians & Prosperity for Whole Country*' by strengthening key economic clusters through the creation of community improvement plans and tax incremental funding districts thereby allowing the City to make major investments in infrastructure and recoup the benefits through tax revenue.

- ***Continue to Help House the Homeless***

The Waterfront Revitalization Initiative will further provide an immediate opportunity to co-ordinate the City's interest to '*Continue to Help House the Homeless*' by creating locations in the City including the West Don Lands where development of up to 1,000 units of affordable housing each year for four years (2007-2011) is planned.

- ***Build on a Clean and Beautiful City Program***

This Initiative will continue to '*Build on a Clean and Beautiful City Program*' by developing parks and public spaces in the West Don Lands and East Bayfront and areas such as Port Union (\$6.856 million), Mimico (\$2.121 million), and the Portlands and Central Waterfront (\$5.625 million) with a combined 5-Year Planned Capital expenditure of \$14.602 million.

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.	1,317.9	1,412.7	94.8	7.2	(238.6)	0.0
REVENUE	236.2	331.0	94.8	40.1	0.0	0.0
NET EXP.	1,081.7	1,081.7	0.0	0.0	(238.6)	0.0
Approved Positions	8.0	9.0	1.0	12.5		
NET TARGET		1,081.7			0.0	0.0
\$ Over / (Under) Program Target		0.0			(238.6)	0.0
% Over / (Under) Program Target		0.0%			-22.06%	0.00%

2008 Recommended Base Budget

The 2008 Recommended Base Budget of \$1.082 million net represents a 0% increase over Waterfront Secretariat's 2007 Approved Budget, which meets the 2008 target. The 2008 Recommended Base Budget will largely serve to maintain service levels offered in 2007.

- An additional \$0.095 million recommended base funding will be required to fund Cost-of-living adjustments (COLA) at a rate of 2.44% for 2008 and other staff related costs. This increase is offset by an increase in gross revenue of \$0.095 million or 40.1% comprising of transfers from Waterfront Revitalization Capital Budget, resulting in a 0% net increase.
- The 2008 recommended staffing level will increase by 1 position to 9 from the 2007 level to recognize the extension of one temporary Waterfront Project Manager Position to be funded from the Waterfront Secretariat from March to December 2008.

2008 Key Cost Drivers and Reduction Strategies

Key cost drivers for 2008 include:

- One-time increase of \$0.035 million to cover maternity leave costs for one staff position with a future year reduction of \$0.035 million in 2009.
- Increase of \$0.004 million to fund one additional working day in 2008 and a reduction of \$0.004 million in 2009.
- Merit and step increases of \$0.016 million.

- Cost-of-living adjustments (COLA) and fringe benefits at an average of 2.44% for 2008 are non-discretionary expenditures resulting in additional costs of \$0.023 million.

The following changes will offset the above cost drivers:

- A transfer of \$0.015 million from the Waterfront Revitalization Initiative's 2008 Capital Budget to fund salary and benefit adjustments for 2 staff positions involved in direct capital project implementation activities.
- A reduction of \$0.063 million in consulting costs to meet Waterfront Secretariat's 2008 Operating Budget net target. This reduction option leaves a balance of \$0.091 million to fund studies in 2008.

2009 and 2010 Outlook: Net Incremental Impact

The 2009 and 2010 Outlooks maintain the 2008 recommended level of service but do not include a provision for COLA, as the increase is subject to future negotiations.

- The outlook for 2009 of \$0.239 million includes the reversal of \$0.200 million approved in 2007 for 2 years to fund development of a Western Waterfront Master Plan as directed by Council at its meetings of September 25, 26 and 27, 2006 and April 25 to 27, 2006 (Ref: Policy and Finance Committee Report No. 7, Clause No. 12).

Section E: Issues for Discussion**2008 Operating Budget Issues****Funding for Consulting**

Funding for consulting of \$0.154 million has been reduced by \$0.063 million to meet Program's 2008 target, leaving a balance of \$0.091 million to fund studies in 2008. The Secretariat utilizes funding for consulting to access external expertise into areas such as Brownfields management and liability issues, transfer of public lands to the City and the review of financial options for potential Gardiner / Lakeshore improvements at the waterfront.

Waterfront Secretariat staff have confirmed their ability to work within recommended resources in 2008 and, where feasible, will request Waterfront Toronto to fund studies.

Transfers from Capital Budget

Costs for Waterfront Secretariat staff directly involved in capital project implementation activities of the Waterfront Revitalization Initiative project are recovered from the Capital Budget. A recovery of \$0.95 million in 2008 will cover staff salaries and benefits and is within the Capital policy guidelines which require that project management costs not exceed 10% of the gross cost of the capital project/sub-project to which they relate.

It is anticipated that Secretariat staff will periodically review total funding for salaries and benefits recovered from the Capital Budget to ensure that it does not exceed 10% of the gross cost of the capital project as required by the Capital policy guidelines.

Waterfront Parks Operation and Maintenance Strategy

City Council, at its meeting on November 19 and 20, 2007, directed the General Manager of Parks Forestry and Recreation, and the Director of Waterfront Secretariat, in consultation with the Deputy City Manager and Chief Financial Officer and Waterfront Toronto, to report to Executive Committee in 2008 on the preferred approach to implementing recommendations contained in the Waterfront Parks Operation and Maintenance Strategy Study.

A Joint Waterfront Toronto/Secretariat task force is expected to complete its review of the recommendations, establish an initial endowment fund, and report to Executive Committee in the 4th quarter of 2008. Funding sources have been recommended by a consultant study for Waterfront Toronto and include private sector/non governmental revenue generation options as well as potential government or Waterfront Toronto contributions. The joint task force will determine the priorities among these options, design the program, determine how to initiate contributions from non-government sources, and determine the interest of other orders of government in funding the endowment.

Waterfront Secretariat staff have confirmed that the design process for Waterfront Parks integrates operating maintenance and environmental requirements and estimates the costs as part of the design process.

Future Year Issues**Western Waterfront Master Plan**

City Council adopted Policy and Finance Committee report No. 7, Clause No. 12 specifying steps required to develop a Western Waterfront Master Plan and a City-wide Integrated Beach Management Strategy at its meeting on September 25, 26 and 27, 2006, and approved funding of \$0.400 million spread over 2 years for the development of a Western Waterfront Master plan during the 2007 Operating Budget process.

The report recommended a 12 to 18 month draft schedule for developing the Western Waterfront Master Plan following Council approval of funding in the 2007 budget, during which time an extensive program of civic engagement would take place, and completion of the work program scheduled for fall 2008.

Waterfront Secretariat staff have confirmed that civic engagement activities for the project are on schedule with four public meetings, three educational seminars and a number of Community Advisory Group meetings planned for 2008. It is anticipated that a staff report on the Western Waterfront Master Plan will be presented to City Council by December 2008 for consideration, including the necessary resources required for the Plan's implementation.

Operating Budget Impacts of the New Waterfront Infrastructure

At its meeting on November 19 and 20, 2007, City Council directed that a staff report on the operating impacts of new waterfront infrastructure be referred to the Budget Committee during the 2008 and future year budget processes and that commencing in 2009, the Deputy City Manager responsible for Waterfront Revitalization, and the Deputy City Manager and Chief Financial Officer report every two years with updated information and projections on the operating impact of waterfront renewal on all City Agencies, Boards, and Commissions and Divisions as well as Waterfront Toronto. The Waterfront Secretariat expects that the process to develop data and prepare a report to begin in July 2008 and the first of these reports to be completed by the 3rd quarter of 2009.

According to the Operating Budget Impacts of the New Waterfront Infrastructure staff report, estimated cumulative net incremental impacts of the Waterfront renewal on City Programs in 2008 is \$1.058 million with Parks, Forestry and Recreation expected to have the highest net impact of \$1.019 million; Parks, Forestry and Recreation's 2008 Recommended Operating Budget includes funding of \$0.799 million for the new Waterfront parkland and facilities.

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	8.0	1,316.0	236.2	1,079.8	0.0	0.0
In-year approvals and technical adjustments						
Corporate adjustments		1.9		1.9		
2007 Approved Operating Budget	8.0	1,317.9	236.2	1,081.7	0.0	0.0
Prior year impacts		38.6		38.6	(238.6)	
Zero base items				0.0		
Merit & Step Adjustments		16.3	6.1	10.2		
Economic factors		23.2	8.7	14.5		
Adjusted Base Budget	8.0	1,396.0	251.0	1,145.0	(238.6)	0.0
Other base changes	1.0	16.7	80.0	(63.3)		
Base revenue changes						
Recommended Service Level Adjustments:						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	1.0	16.7	80.0	(63.3)	0.0	0.0
2008 Recommended Base Budget	9.0	1,412.7	331.0	1,081.7	(238.6)	0.0
2008 Program Operating Target	N/A	N/A	N/A	1,081.7	0.0	0.0
% Over (Under) Program Target				0.0%	-22.1%	0.00%
% Over (Under) 2007 Appvd. Budget				0.0%	-22.1%	0.00%

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 Fund	XR1010	24,027.8 Annual Contribution	1.9		
Total Reserve / Reserve Fund Draws / Contributions			1.9	0.0	0.0