

# Analyst Briefing Notes

## Budget Committee

(January 28, 2008)

**2008 OPERATING BUDGET**

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

- The 2007 preliminary year-end net expenditure of \$0.554 million is expected to be \$0.030 million or 5.1% below the 2007 Approved Budget. This favourable variance is attributable to cost containment measures implemented in 2007, resulting in one-time discretionary savings of \$0.029 million.
- The 3-Year Operating Budget supports Yonge-Dundas Square's ongoing service objectives to:
  - continue to run an exceptional events program, maximizing its contribution to the revitalization of the Downtown Yonge area;
  - continue with multicultural programming that attracts a broad demographic while continuing to increase public and private sector use; and
  - continue to develop new streams of revenue to offset the costs of animating the Square with programs that promote the vision of YDS as a community focal point and resource.
- Key service challenges for 2008 and beyond include:
  - striking a balance between community and private sector uses with increasing demand for the venue/civic square;
  - maximize public outreach with limited resources;
  - continue to meet required maintenance and security levels without additional revenues; and
  - aging facility will require investment to meet demands of pending state-of-good repair facility audit report.
- Yonge-Dundas Square's strategic direction and priorities are as follows:
  - Increase self-produced programming with support from private sector sponsorships.
  - Use of self-produced programming as a tool to position Yonge-Dundas Square as a premier outdoor urban venue for both commercial and community events.
  - Increase earned revenue to support ongoing animation of the Square with signature events that support the City's Economic Development, Culture and Tourism objectives.
  - The Yonge-Dundas Square Program through its unique governance model will continue its work to improve the business climate in the City's downtown core through its activities, security and cleanliness.
- The 2008 Recommended Operating Budget for Yonge-Dundas Square of \$0.584 million net achieved the required 0% net increase over the Program's 2007 Approved Operating Budget, which is its 2008 target, while maintaining core services and service levels.

**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
	\$	\$	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	1,166.8	1,383.1	1,351.5	0.0	1,351.5	184.7	15.8	0.0	0.0
<b>REVENUE</b>	583.3	829.2	768.0	0.0	768.0	184.7	31.7	0.0	0.0
<b>NET EXP.</b>	583.5	553.9	583.5	0.0	583.5	0.0	0.0	0.0	0.0
<b>Approved Positions</b>	4.0	4.0	4.0	0.0	4.0	0.0	0.0		
<b>TARGET</b>			<b>583.5</b>		<b>583.5</b>				
<b>\$ Over / (Under) Program Target</b>			<b>0.0</b>		<b>0.0</b>				
<b>% Over / (Under) Program Target</b>			<b>0.0%</b>		<b>0.0%</b>				

- The 2008 Recommended Operating Budget of \$0.584 million net is comprised of base funding of \$0.584 million and no new/enhanced service priorities.
- The 2008 Recommended Base Budget provides funding to maintain the same level of service as in 2007. The increased volume of events on the Square realized in 2007 as well as the increased revenue levels achieved in 2007 from event permits and Artisan Market, expanded programs, sponsorships and from the sightseeing service kiosk are reflected in the 2008 base budget. This incremental volume recognition results in a base revenue adjustment of \$0.185 million and an associated \$0.130 million in gross expenditures for a net revenue change of \$0.054 million.
- The base budget incorporates the Program's key cost drivers including annualizations, salary/wage increases, non-labour inflationary increases and other base changes that total \$0.054 million. These are offset by the additional net revenue identified above. In general, it costs 75 cents to generate \$1.00 of revenue.
- The 2008 Recommended Operating Budget enables Yonge-Dundas Square to produce 156 YDS programmed events and host 137 community and private sector events including City events, plus major festivals such as Just for Laughs and Desifest South Asian Heritage Festival, for a planned total of 312 events in 2008 as compared to 310 events in 2007. The 2009 and 2010 Outlook calls for 315 and 320 events on the Square respectively.
- Yonge-Dundas Square (YDS) has successfully grown its business every year since its inception. YDS has also successfully integrated some YDS programs to run in tandem with appropriate community events. This has resulted in and explains the large increase in usage. YDS is exceeding service targets at every level. Further growth at the present pace will however, be challenging due to the small complement of YDS staff (4 approved positions) and the finite number of days in the year (365 or 366 in a leap year as in 2008).

### **Recommendations**

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for Yonge-Dundas Square of \$1.352 million gross and \$0.584 million net, comprised of the following services, be approved:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Yonge-Dundas Square	1,351.5	583.5
Total Program Budget	1,351.5	583.5

## 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>	1,178.7	1,166.8	1,383.1	216.3	18.5
<b>REVENUES</b>	611.2	583.3	829.2	245.9	42.2
<b>NET EXP.</b>	567.6	583.5	553.9	(29.6)	(5.1)
<b>Approved Positions</b>	4.0	4.0	4.0	0.0	0.0

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

### 2007 Experience

Yonge-Dundas Square's 3<sup>rd</sup> Quarter Variance Report shows increased usage of the venue/civic square resulting in higher than expected event permits and service support revenue and correspondingly higher event programming and event support costs. Yonge-Dundas Square is projecting a favourable year-end variance of \$0.030 million or 5.1% as a result of savings associated with cost containment measures implemented throughout the year.

### 2007 Cost Containment Savings

As reported in the 3<sup>rd</sup> Quarter Variance Report, Yonge-Dundas Square expects to achieve cost containment savings of \$0.029 million in 2007 through the measures itemized in the table below. As these are all one-time savings, there is no impact on the 2008 Recommended Budget.

Net Cost Containment Savings	2007 (\$000s) Savings	2008 (\$000s) Continued Savings	Comments
<b>Hiring Freeze Savings:</b>			
N/A	0.0	0.0	
<b>Service Level Adjustments:</b>			
N/A	0.0	0.0	
<b>Discretionary Savings:</b>			
Deferred website development and management	(6.0)		One-time savings
Deferred facility maintenance / WI-FI improvements	(5.0)		One-time savings
Deferred computer upgrades	(11.0)		One-time savings
Miscellaneous	(7.4)		One-time savings
<b>Sub-total</b>	<b>(29.4)</b>	<b>0.0</b>	
<b>TOTAL COST CONTAINMENT</b>	<b>(29.4)</b>	<b>0.0</b>	

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

Increased usage of the venue/civic square in 2007 is expected to continue in 2008. The higher revenue levels achieved in 2007 from event permits and Artisan Market, from expanded programs, as well as increased revenue from the sightseeing kiosk, event support activities and sponsorships, are all reflected in the 2008 base budget. The incremental base programming and event production costs associated with the expanded programs and increased events on the Square that generated the additional revenues are also reflected in the 2008 Recommended Operating Budget.

Cost containment measures implemented in 2007 will not result in any savings in 2008 as the discretionary savings are one-time only. Continuation of the 2007 cost containment measures into 2008 would negatively impact Yonge-Dundas Square's service levels.

## **Section B: 2008 Operating Budget Overview**

### **3-Year Operating Budget Overview**

- Yonge-Dundas Square's 2008 Recommended Operating Budget of \$0.584 million net allows the Program to continue delivering the 2007 level of services and meet the ongoing service objectives outlined previously.
- The Program anticipates that it will maintain its level of net expenditures over the 3-year period; there will be no incremental changes in net expenditures in 2009 and 2010.

### **Challenges and Issues**

- Yonge-Dundas Square's Board of Management, over the three year period, will continue to address these key service challenges:
  - Striking a balance between community and private sector uses.
  - Maximize public outreach with limited resources.
  - Continue to meet required maintenance and security levels within available resources.
  - Aging facility (the Square was constructed in 2000-2002) will require investment to meet demands of pending state-of-good-repair facility audit report. Although major repairs/maintenance are normally provided for in the Capital Budget, for a small facility such as this, capital maintenance may impact the Operating Budget to a greater extent in future years than it currently does.
- To address these service challenges, the Program plans to:
  - Develop new partnerships and sponsorship opportunities.
  - Develop new revenue streams through tendered supplier agreements.

### **Strategic Priorities**

- Yonge-Dundas Square's 3-Year Operating Budget focuses on the following strategic priorities:
  - To continue to run an exceptional events program, enabling YDS to maximize its contribution to the revitalization of the Downtown Yonge area.
  - Continue with multicultural programming that attracts a broad demographic while continuing to increase public and private sector use.
  - Continue to develop new streams of revenue to offset the costs of animating the Square with programs that promote the vision of YDS as a community focal point and resource.

### 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>	1,166.8	1,351.5	184.7	15.8	0.0	0.0
<b>REVENUE</b>	583.3	768.0	184.7	31.7	0.0	0.0
<b>NET EXP.</b>	583.5	583.5	0.0	0.0	0.0	0.0
<b>Approved Positions</b>	4.0	4.0	0.0	0.0		
<b>NET TARGET</b>		<b>583.5</b>			<b>0.0</b>	<b>0.0</b>
<b>\$ Over / (Under) Program Target</b>		<b>0.0</b>			<b>0.0</b>	<b>0.0</b>
<b>% Over / (Under) Program Target</b>		<b>0.0%</b>			<b>0.0%</b>	<b>0.0%</b>

### 2008 Recommended Base Budget

The 2008 Recommended Base Budget of \$0.584 million net represents a 0% increase over the 2007 Approved Budget and met the 2008 target, while maintaining the same level of service provided in 2007.

The primary cost driver for Yonge-Dundas Square is increased operating costs to support the increased volume of activities and events on the Square. As revenues grow, the expenditures required to support the incremental activities, expanded programming and to meet operational requirements are expected to grow proportionately; it costs 75 cents to generate \$1.00 of revenue.

### 2008 Key Cost Drivers and Reduction Strategies

The additional \$0.185 million in gross expenditures recommended for the Program's Base Budget is needed to fund the annualized cost of 2007 approved employee benefits, salary/wage and step increases, non-salary economic factors, as well as other base changes to reflect the increased level of activity and events on the Square consistent with 2007 experience.

To offset the additional expenditure impact, the 2008 Recommended Base Budget incorporates a base revenue change of \$0.185 million. This additional revenue recognizes the increased level of usage of the Square reached in 2007 that will continue in 2008, and reflects the higher earned revenues from expanded programming, permit fees, event support and sponsorships realized in 2007.



Funding from the City operating budget has declined from 64% of Gross Expenditures in 2003 to a projected year-end of 44% in 2007 and 43% in the 2008 Recommended Operating Budget.

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

Yonge-Dundas Square projects no increase in its 2009 and 2010 net operating budgets. The 2009 and 2010 Outlooks maintains the 2008 recommended level of service. The Board of Management has not committed itself to any projected salary/wage increase amounts for 2009 and 2010 at this time. As is Yonge-Dundas Square's practice, any budgetary pressures such as salary/wage increases, inflationary increases due to economic factors, are usually offset by increased revenue through permit fee rate increases tied to inflation, more sponsorships, and expanded programming and volume of events and activities on the Square.

# 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>4.0</b>	<b>1,166.6</b>	<b>583.3</b>	<b>583.3</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments						
Corporate adjustments		0.2		0.2		
<b>2007 Approved Operating Budget</b>	<b>4.0</b>	<b>1,166.8</b>	<b>583.3</b>	<b>583.5</b>	<b>0.0</b>	<b>0.0</b>
Prior year impacts		35.2		35.2		
Zero base items						
Economic factors		19.1		19.1		
<b>Adjusted Base Budget</b>	<b>4.0</b>	<b>1,221.1</b>	<b>583.3</b>	<b>637.8</b>	<b>0.0</b>	<b>0.0</b>
Other base changes						
Base revenue changes		130.4	184.7	(54.3)		
Recommended Service Level Adjustments:						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
<b>Total Recommended Base Adjustments</b>	<b>0.0</b>	<b>130.4</b>	<b>184.7</b>	<b>(54.3)</b>	<b>0.0</b>	<b>0.0</b>
<b>2008 Recommended Base Budget</b>	<b>4.0</b>	<b>1,351.5</b>	<b>768.0</b>	<b>583.5</b>	<b>0.0</b>	<b>0.0</b>
<b>2008 Program Operating Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>583.5</b>	<b>0.0</b>	<b>0.0</b>
<b>% Over (Under) Program Target</b>				<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>% Over (Under) 2007 Appvd. Budget</b>				<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

## 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	1.7		
<b>Total Reserve / Reserve Fund Draws / Contributions</b>			<b>1.7</b>	<b>0.0</b>	<b>0.0</b>