

Analyst Briefing Notes

Budget Committee

(February 10, 2009)

PART I: 2009 OPERATING BUDGET

Executive Summary	2
Recommendations	4

PART II: 3-YEAR SERVICE OVERVIEW AND PLAN

Service Challenges and Opportunities.....	5
Service Objectives	5
Priority Actions	6

PART III: 2008 BUDGET VARIANCE ANALYSIS

2008 Experience	7
Impact of 2008 Operating Variance on the 2009 Recommended Budget	7

PART IV: 2009 RECOMMENDED BASE BUDGET

2009 Recommended Base Budget.....	8
2009 Key Cost Drivers and Reduction Strategies	8

PART V: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS

2009 Recommended New/Enhanced Service Priority Actions	N/A
--	-----

PART VI: ISSUES FOR DISCUSSION

2009 Budget Issues.....	10
Issues Referred to the 2009 Operating Budget Process	N/A

Appendix A: 2009 Recommended Base Budget Changes vs. 2008 Approved Budget	11
--	----

Appendix B: Summary of Service Level Adjustments	12
---	----

Appendix C: Summary of 2009 Recommended New/Enhanced Service Priority Actions	N/A
--	-----

Appendix D: Program Summary by Expenditure Category	13
--	----

Appendix E: Inflows/Outflows to/from Reserves and Reserve Funds	14
--	----

Contacts: Judy Broughton
Manager, Financial Planning
Tel: (416) 392-8393

Lucy Eusepio
Financial Planning Analyst
Tel: (416) 397-8992

PART I: 2009 OPERATING BUDGET**Executive Summary**

- The City of Toronto Council sets corporate strategic direction, priorities and policies; authorizes the raising of revenues and approves the expenditures of funds for the provision of services in the City. Toronto City Council consists of 44 Councillors, one representing each of the City's wards. The City Council 2009 Recommended Operating Budget maintains 2008 service levels to support the 44 Councillors and their staff.
- The 2009 Recommended Operating Budget for City Council directly addresses, through the policy agenda, the following strategic priorities:
 - Facilitating active participation of community involvement in all aspects of civic life
 - Responding to and supporting the diverse needs and interests of its constituents
 - Maintaining the financial integrity of the City
- The 2009 Recommended Operating Budget provides funding for City Council to formulate the City's strategic directions, priorities and policies, and to enable Councillors to act in their role as representative of their constituents and the City.
- For 2008, City Council's year-end net favourable variance is projected to be \$0.798 million or 4.1% below the 2008 Approved Operating Budget. This is mainly attributable to some individual Councillors spending less than their individual office budgets and not fully expending their staff salary envelope.

Table 1: 2009 Recommended Budget

(In \$000s)	2008		2009 Recomm'd Operating Budget			Change - 2009 Recommended Operating Budget v. 2008 Appvd. Budget		FY Incremental Outlook	
	2008Appvd. Budget	2008 Projected Actual	2009 Base	2009 New/ Enhanced	2009 Operating Budget			2010	2011
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	19,465.7	19,253.9	19,445.7	0.0	19,445.7	(20.0)	(0.1)	105.1	45.4
REVENUE	20.0	0.0	0.0	0.0	0.0	(20.0)	(100.0)	0.0	0.0
NET EXP.	19,445.7	19,253.9	19,445.7	0.0	19,445.7	0.0	0.0	105.1	45.4
Approved Positions	176.0	176.0	176.0	0.0	176.0	0.0	0.0	0.0	0.0
TARGET			19,056.8		19,056.8				
\$ Over / (Under) Program Target			388.9		388.9				
% Over / (Under) Program Target			2.0%		2.0%				

- The 2009 Recommended Operating Budget for City Council in the amount of \$19.446 million net is \$0.389 million or 2% over the 2009 target of \$19.057 million, which is 2% below the 2008 Approved Operating Budget. When compared to 2008 funding levels, the 2009 Recommended Operating Budget represents a 0% increase in funds from 2008, with no change in the approved staffing complement. Any further reductions to achieve the -2% target would result in a significant impact on the delivery of Council's responsibilities.
- The 2009 Recommended Operating Budget of \$19.446 million net is comprised of base funding of \$19.446 million net and \$0 net for new/enhanced services. The 2009 Recommended Operating Budget of \$19.446 million net includes service level efficiencies of \$0.041 million.
 - The 2010 Outlook net impact increase of \$0.105 million is due to a 2% Consumer Price Index adjustment and related benefit impact for City Councillors. The 2011 Outlook impact of \$0.045 million is comprised of a 2% Consumer Price Index adjustment for City Councillors in the amount of \$0.108 million along with a savings of \$0.063 million due to one (1) less working day in 2011. The Outlooks for 2010 and 2011 do not include a provision for COLA as well as any other economic increases for Council staff which are subject to future negotiations.
- The 2009 Recommended Operating Budget assumes service levels are maintained at 2008 levels with a staffing complement of 176.
- The 2009 Recommended Operating Budget of \$19.446 million net incorporates the Programs key cost drivers including a 2% Consumer Price Index salary increase for Councillors and annualization of 2008 COLA for Councillors' staff that total \$0.191 million. These 2009 key cost drivers are fully offset by a reversal of costs for one less working day in 2009 of \$0.061 million, a reduction in the fringe benefit rate from 23% to 22% based on actual experience of \$0.088 million, and an increase in the Gapping rate from 2.09% to 2.47% resulting in a reduction of \$0.041 million in staff salaries and benefits.

Recommendations

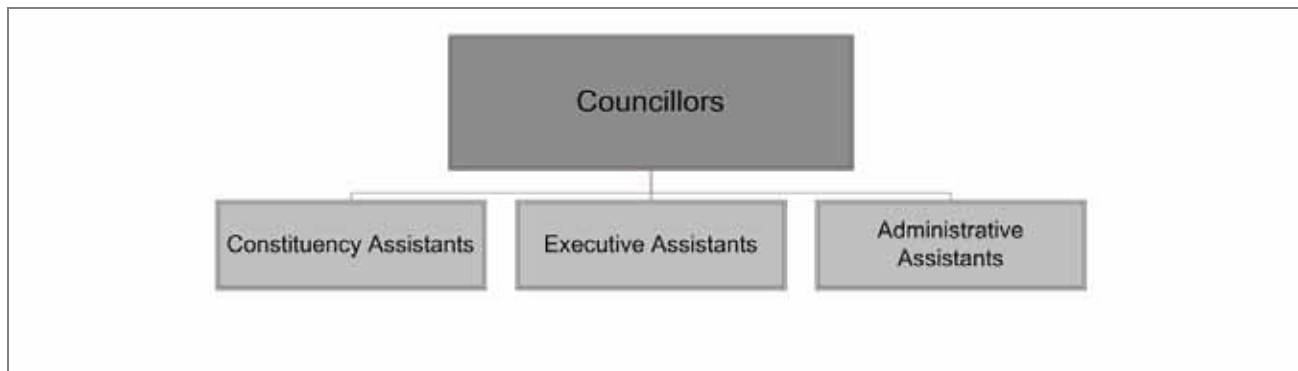
The City Manager and Acting Chief Financial Officer recommend that:

1. Council approve the 2009 Recommended Operating Budget for City Council of \$19.446 million gross and net, comprised of the following services:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Councillors' Salaries & Benefits Budget	5,282.4	5,282.4
Councillors' Staff Salaries & Benefits Budget	10,762.3	10,762.3
Councillors' Office Expenses Budget	2,336.4	2,336.4
Councillors' Business Travel Expenses Budget	50.0	50.0
Councillors' General Expenses Budget	<u>1,014.6</u>	<u>1,014.6</u>
Total Program Budget	<u><u>19,445.7</u></u>	<u><u>19,445.7</u></u>

PART II: 3-YEAR SERVICE OVERVIEW AND PLAN

The City of Toronto Council sets corporate strategic direction, priorities and policies; authorizes the raising of revenues and approves the expenditures of funds for the provision of services in the City. The Council program provides the administrative and other resources that Councillors require to carry out their duties.

Program Map

Toronto City Council consists of 44 Councillors, one representing each of the City's wards. The City Council 2009 Recommended Operating Budget maintains 2008 service levels to support the 44 Councillors and their staff.

Service Challenges and Opportunities

The role of City Council is to represent the public and to consider the well-being and interests of the City. It develops policies, determines the services to be provided to the City, ensures that policies and practices are in place to implement the decisions of Council and maintains the financial integrity of the City.

The 2009 Recommended Base Budget for City Council in the amount of \$19.446 million maintains the 2008 service levels.

Service Objectives

The 2009 Recommended Operating Budget supports City Council's key strategic directions, priorities and objectives.

City Council's key service objective is to ensure that high quality affordable services are provided to the Community, while maintaining a system of responsible and accountable governance to develop the City of Toronto to make it a more desirable place for the community to live in.

- City Council's objectives are guided by the following principles:
 - Represent the public and consider the well-being and interests of the city
 - Develop and evaluate the policies and programs of the City and determine which services the City provides
 - Ensure that administrative and controllership policies, practices and procedures are in place to implement the decisions of Council
 - Ensure the accountability and transparency of the operations of the City, including the activities of the senior management of the City
 - Maintain the financial integrity of the City

Priority Actions

The focus of City Council is to provide high quality and affordable services that respond to the needs of our communities and invest in infrastructure to support city building.

PART III: 2008 BUDGET VARIANCE ANALYSIS

Table 2: 2008 Budget Variance Review

(In \$000s)	2007 Actuals	2008 Approved Budget	2008 Projected Actuals*	2008 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	18,170.8	19,465.7	18,668.2	797.5	4.1
REVENUES	0.0	0.0	0.0	0.0	0.0
NET EXP.	18,170.8	19,465.7	18,668.2	797.5	4.1
Approved Positions	181.0	176.0	176.0	0.0	0.0

* Note: Source is City Council's 2008 Third Quarter Operating Budget Variance Report.

2008 Experience

The projected year-end expenditure is expected to be \$18.668 million net which is \$0.798 million or 4.1% under the 2008 Approved Operating Budget, as per the 2008 3rd Quarter Variance Report. This favourable variance of \$0.798 million is primarily due to some Council offices not spending their full office budget allocation of \$0.053 million and some Councillors not fully expending their staff salary envelope.

Impact of 2008 Operating Variance on the 2009 Recommended Budget

The savings realized in 2008 are not reflected in the 2009 Recommended Operating Budget. Staff salaries are expected to be fully expended in 2009 and Council Member's Office Budgets remain at \$0.053 million per office.

PART IV: 2009 RECOMMENDED BASE BUDGET

Table 3: 2009 Recommended Base Budget

(In \$000s)	2008 Appvd. Budget	2009 Recommended Base	Change 2009 Recommended Base v. 2008 Appvd. Budget		FY Incremental Outlook	
					2010	2011
	\$	\$	\$	%	\$	\$
GROSS EXP.	19,465.7	19,445.7	(20.0)	(0.1)	105.1	45.4
REVENUE	20.0	0.0	(20.0)	(100.0)	0.0	0.0
NET EXP.	19,445.7	19,445.7	0.0	0.0	105.1	45.4
Approved Positions	176.0	176.0	0.0	0.0	0.0	0.0
NET TARGET		19,056.8				
\$ Over / (Under) Program Target		388.9				
% Over / (Under) Program Target		2.0%				

2009 Recommended Base Budget

- The 2009 Recommended Base Budget of \$19.446 million net represents a 0% increase over the 2008 Approved Budget. However, it represents a \$0.389 million or 2% increase over the 2009 program target of \$19.057 million with no new funding for 2009.
- The 2009 Recommended Base Budget assumes service levels are maintained at 2008 levels with the 2008 approved staffing complement of 176.
- A technical adjustment was made to transfer positions along with the corresponding salaries and benefits of five (5) Council Security Receptionists to the City Clerk's 2008 Approved Operating Budget. This resulted in transferring \$0.308 million from City Council to the City Clerk's Budget in order to properly reflect existing reporting relationships.
- The reduction of \$0.020 million from the 2008 approved budget reflects a one-time transfer of funding in 2008 from the planning reserve fund to purchase Scarborough flags per direction of Scarborough Community Council.

2009 Key Cost Drivers and Reduction Strategies

The 2009 Recommended Base Budget provides funding for increases to salaries and benefits of \$0.191 million net, including a 2% Consumer Price Index salary increase for Councillors and annualization of 2008 COLA for Councillors' staff.

Reduction strategies recommended to mitigate cost pressures include:

- A reversal of funding for reduction of one extra working day in 2008 reduces salaries and benefits by \$0.061 million
- A reduction in fringe benefit rate from 23% to 22% based on actual experience reduces salaries and benefits by \$0.088 million
- An increase in Gapping from 2.09% to 2.47% results in a reduction to salaries and benefits of \$0.041million

2010 and 2011 Outlook: Net Incremental Impact

The 2010 and 2011 Outlooks maintain the projected 2009 level of service. The only major increase currently projected in 2010 and 2011 is a 2% Consumer Price Index adjustment and related benefit impacts for City Councillors. There is one (1) less working day in 2011 creating a savings of \$0.063 million. There are no provisions included in 2010 and 2011 for cost-of-living (COLA) increases for staff.

PART VI: ISSUES FOR DISCUSSION**2009 Budget Issues****2009 Recommended Operating Budget vs. Guideline**

The 2009 Recommended Operating Budget of \$19.446 million net represents a 0% increase from the 2008 Approved Operating Budget and a \$0.389 million increase over the 2009 program target of \$19.057 million which is set at 2% less than the 2008 Approved Operating Budget. A 2% Consumer Price Index increase for Councillors' salaries and the annualization of 2008 cost-of-living adjustments account for the key cost drivers in the 2009 Recommended Operating Budget. Reduction strategies totalling \$0.041 million bring the 2009 Recommended Operating Budget to a net 0% increase. Further reductions would impact current service levels.

Appendix A

2009 Recommended Base Budget Changes vs. 2008 Approved Budget

(In \$000s)	Summary of 2009 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2010	2011
		\$	\$	\$	\$	\$
2008 Council Approved Operating Budget	181.0	19,743.8	20.0	19,723.8	0.0	0.0
In-year approvals and technical adjustments	(5.0)	(278.1)		(278.1)		
Corporate adjustments						
2008 Approved Operating Budget	176.0	19,465.7	20.0	19,445.7	0.0	0.0
Prior year impacts		(82.6)	(20.0)	(62.6)		(62.5)
Zero base items						
Economic factors		104.0		104.0	105.1	107.9
Adjusted Base Budget	176.0	19,487.1	0.0	19,487.1	105.1	45.4
Other base changes						
Base revenue changes						
Recommended Service Level Adjustments:						
Base changes						
Service efficiencies						
Revenue adjustments						
Minor service impact		(41.4)		(41.4)		
Major service impact						
Total Recommended Base Adjustments	0.0	(41.4)	0.0	(41.4)	0.0	0.0
2009 Recommended Base Budget	176.0	19,445.7	0.0	19,445.7	105.1	45.4
2009 Program Operating Target				19,056.8		
% Over (Under) Program Target				2.0%		
% Over (Under) 2008 Appvd. Budget				0.0%		

Appendix B

Summary of Service Level Adjustments

Appendix D

Program Summary by Expenditure Category

CLUSTER: OTHER CITY PROGRAMS PROGRAM: CITY COUNCIL							
	2008 Approved Budget	2008 Projected Actuals	2009 Recommended Budget	Change from 2008 Approved Budget		2010 Outlook	2011 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	16,315.7	16,298.1	16,315.7	0.0	0.0%	16,420.8	16,466.2
Materials and Supplies	2,086.4	1,868.2	2,083.9	(2.5)	(0.1%)	2,083.9	2,083.9
Equipment	17.0	17.7	17.0	0.0	0.0%	17.0	17.0
Services & Rents	457.7	486.1	440.2	(17.5)	(3.8%)	440.2	440.2
Contributions to Capital	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Contributions to Reserve/Res Funds	287.1	287.1	287.1	0.0	0.0%	287.1	287.1
Other Expenditures	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Interdivisional Charges	301.8	296.7	301.8	0.0	0.0%	301.8	301.8
TOTAL GROSS EXPENDITURES	19,465.7	19,253.9	19,445.7	(20.0)	(0.1%)	19,550.8	19,596.2
Interdivisional Recoveries	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Provincial Subsidies	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Federal Subsidies	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Other Subsidies	0.0	0.0	0.0	0.0	n/a	0.0	0.0
User Fees & Donations	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Transfers from Capital Fund	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Contribution from Reserve Funds	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Contribution from Reserve	20.0	0.0	0.0	(20.0)	(100.0%)	0.0	0.0
Sundry Revenues	0.0	0.0	0.0	0.0	n/a	0.0	0.0
TOTAL REVENUE	20.0	0.0	0.0	(20.0)	(100.0%)	0.0	0.0
TOTAL NET EXPENDITURES	19,445.7	19,253.9	19,445.7	0.0	0.0%	19,550.8	19,596.2
APPROVED POSITIONS	176.0	176.0	176.0	0.0	0.0%	176.0	176.0

Appendix E

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Balance as of December 2008	Proposed Withdrawals (-) / Contributions (+)		
			2009	2010	2011
		\$	\$	\$	\$
Government Relations Reserve	XQ0009	37.0	37.0	37.0	37.0
Cont. to Insurance Res. Funds	XR1010	75.1	75.1	75.1	75.1
Councillors' Severance Reserve	XQ0010	175.0	175.0	175.0	175.0
Total Reserve / Reserve Fund Draws / Contributions		287.1	287.1	287.1	287.1