

# Analyst Briefing Notes

## Budget Committee

(February 10, 2009)

**PART I: 2009 OPERATING BUDGET**

Executive Summary .....	2
Recommendations .....	5

**PART II: 3-YEAR SERVICE OVERVIEW AND PLAN**

Service Challenges and Opportunities.....	6
Service Objectives .....	7
Priority Actions .....	7

**PART III: 2008 BUDGET VARIANCE ANALYSIS**

2008 Experience .....	8
Impact of 2008 Operating Variance on the 2009 Recommended Budget .....	8

**PART IV: 2009 RECOMMENDED BASE BUDGET**

2009 Recommended Base Budget.....	9
2009 Key Cost Drivers and Reduction Strategies .....	9

**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.....	11
Issues Referred to the 2009 Operating Budget Process .....	N/A

<b>Appendix A:</b> 2009 Recommended Base Budget Changes vs. 2008 Approved Budget .....	12
--	----

<b>Appendix B:</b> Summary of Service Level Adjustments .....	13
---	----

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

<b>Appendix D:</b> Program Summary by Expenditure Category .....	14
--	----

<b>Appendix E:</b> Inflows/Outflows to/from Reserves and Reserve Funds .....	15
--	----

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 Role of the Mayor as Head of Council is:
  - To act as Chief Executive Officer of the City
  - To preside over meetings of Council so that its business can be carried out efficiently and effectively
  - To provide leadership to Council
  - To represent the City at official functions
  - To carry out the duties of the Head of Council under the City of Toronto Act, 2006
- The Role of the Mayor as Chief Executive Officer is:
  - To uphold and promote the purposes of the City
  - To promote public involvement in the City's activities
  - To act as the representative of the City both within and outside the City, and promote the City locally, nationally and internationally
  - To participate in and foster activities that enhance the economic, social and environmental well-being of the City and its residents
- The 2009 Recommended Operating Budget for the Office of the Mayor supports the Mayor as the Head of Council and the Chief Executive Officer of the City of Toronto. The Mayor has a duty to ensure that City Council remains accountable and accessible to the public. In addition, the Mayor's office has a duty to conduct the business of the City in an efficient manner. The Mayor's key strategic directions and priorities include measures to make the city liveable, prosperous and one of opportunity for all.
- For 2008, the Mayor's Office is projecting a year-end expenditure of \$2.533 million which is \$0.071 million or 2.7% below the 2008 Approved Budget of \$2.604 million. This favourable variance is largely attributable to under spending in salaries and benefits.

## 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	
	2008 Appvd. Budget	2008 Projected Actual	2009 Base	2009 New/Enhanced	2009 Operating Budget			2010	2011
	\$	\$	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	2,603.5	2,532.5	2,603.3	0.0	2,603.3	(0.2)	(0.0)	67.2	59.9
<b>REVENUE</b>	0.0	0.0	3.9	0.0	3.9	3.9	0.0	0.0	0.0
<b>NET EXP.</b>	2,603.5	2,532.5	2,599.4	0.0	2,599.4	(4.1)	(0.2)	67.2	59.9
<b>Approved Positions</b>	23.0	23.0	23.0	0.0	23.0	0.0	0.0	0.0	0.0
<b>TARGET</b>			<b>2,551.4</b>		<b>2,551.4</b>				
<b>\$ Over / (Under) Program Target</b>			<b>48.0</b>		<b>48.0</b>				
<b>% Over / (Under) Program Target</b>			<b>1.9%</b>		<b>1.9%</b>				

- The 2009 Recommended Operating Budget for the Mayor's Office in the amount of \$2.599 million is \$0.048 million or 1.9% over the 2009 budget target of \$2.551 million, (2% below the 2008 Approved Operating Budget). The 2009 Recommended Operating Budget maintains the 2008 service level.
  - The \$0.067 million in 2010 and the \$0.060 million in 2011 maintain the projected 2009 level of service, while providing for projected 2% Consumer Price Index (CPI) salary adjustments and merit and step increases in accordance with employment agreements and corporate policies for non-union staff. There are no provisions included in 2010 and 2011 for cost-of-living (COLA) increases for the staff of the Office of the Mayor.
- The 2009 key cost drivers include:
  - Annualization of cost-of-living adjustments (COLA) and merit and step increases for staff – \$0.084 million
  - Reversal of a portion of cost containment savings in 2008 - \$0.063 million
- The pressures from these key cost drivers are partially mitigated by the following reductions:
  - A reduction in the fringe benefit rate from 23% to 21% based on actual experience - \$0.037 million
  - Reversal of funding for one extra working day in 2008 - \$ 0.009 million
  - Reversal of one-time 2008 funding for IT software - \$0.050 million
  - Reduction in non-labour inflationary costs - \$0.005 million
  - Elimination of CPI increase for the Mayor's salary - \$0.004 million

- Increase in the Gapping Rate from 0.5% to 2.5% - \$0.047 million
- The Mayor's Office will continue the important work of building a great city and enable Toronto to take its place on the global stage as one of the world's great cities by:
  - Implementing the Mayor's Mandate and supporting major initiatives such as Transit City, Climate Change action plan, and Agenda for Prosperity
  - Making Toronto a leader in environmental protection and promoting sustainable development
  - Advancing the City's agenda with the other orders of government that will provide Toronto with the revenue sources and legislative tools it needs to succeed
  - Engaging residents by increasing the involvement of the public in the processes and decisions of City Hall
  - Building strong, safe neighbourhoods with clean streets and beautiful parks to give every Torontonians a sense of security and pride

**Recommendations**

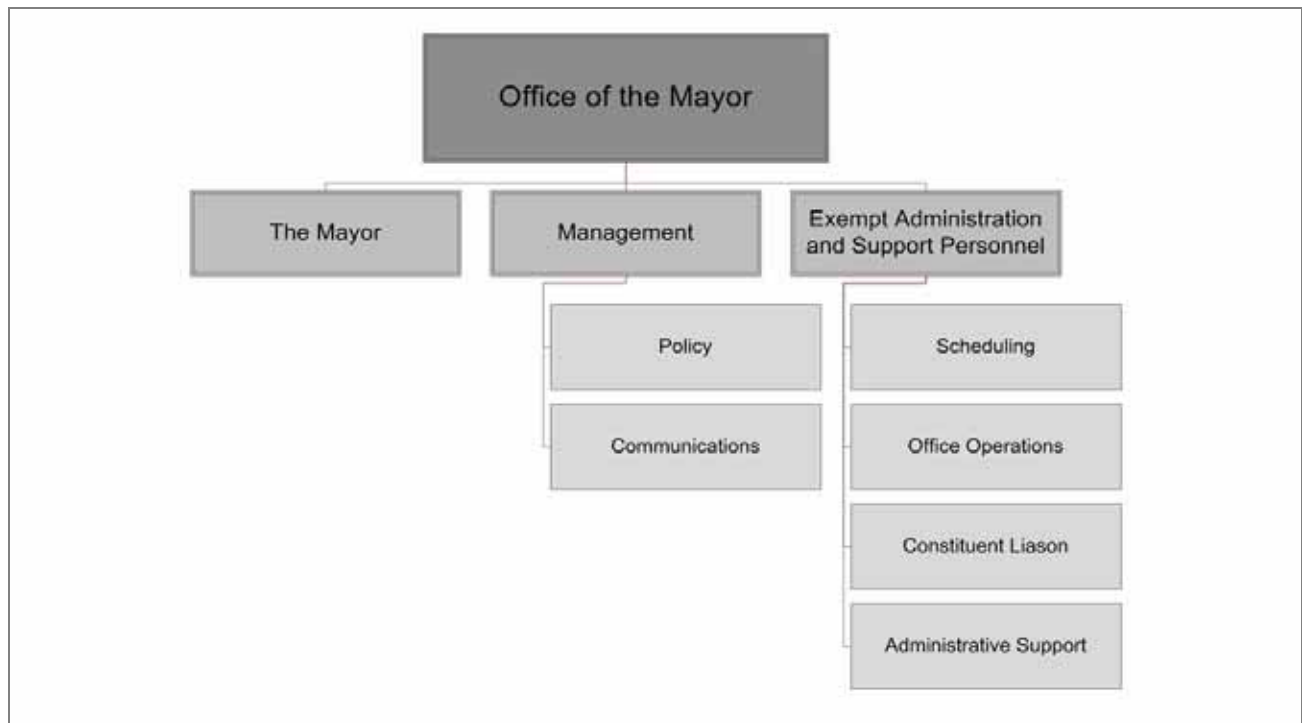
The City Manager and Acting Chief Financial Officer recommend that:

1. Council approve the 2009 Recommended Operating Budget for the Mayor's Office of \$2.599 million net, comprised of the following service:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Mayor's Office	<u>2,603.3</u>	<u>2,599.4</u>
Total Program Budget	<u><u>2,603.3</u></u>	<u><u>2,599.4</u></u>

**PART II: 3-YEAR SERVICE OVERVIEW AND PLAN**

- The Office of the Mayor leads and represents the City of Toronto in dealings with residents, elected officials, dignitaries and staff. The Mayor's Office has a duty to conduct the business of the City in ways that are transparent, honest, efficient and inclusive. It is the responsibility of the Mayor to ensure that City Council remains accountable and accessible to the public, so that Torontonians can be sure they are receiving the highest possible standard of City services.

**Program Map****Service Challenges and Opportunities**

The Office of the Mayor supports the Mayor in his role as head of Council and Chief Executive Officer of the City of Toronto. The Mayor presides over meetings, represents the City at official functions, promotes public involvement and represents the city locally, nationally and internationally. The Mayor's Office will continue the important work of building a great City that is safe and clean and one that gives Torontonians a sense of civic pride, and ensures that no one is left behind. While the Mayor's Office continues to lead on new initiatives such as Mayor's Tower Renewal, resource constraints will create challenges for the Office.

## **Service Objectives**

The Mayor's Office will support the efficient and effective delivery of all City programs, including delivery of new initiatives. The City has created two new developmental agencies, Build Toronto and Invest Toronto, to carry out the recommendations of the Mayor's fiscal review panel and the Mayor's Economic Competitiveness Advisory Committee. These new initiatives will position the City of Toronto to contribute economic strategies necessary to confront the recession.

## **Priority Actions**

- The 2009 Recommended Operating Budget for the Mayor's Office directly addresses, through a number of initiatives, the following strategic priorities outlined in Council's policy agenda:
  - Provide environmental leadership for the sustainable development and creation of a climate change plan
  - Improve public transit as a best alternative to automobile use
  - Strengthen financial viability of the City
  - Increase safety for all communities
  - Enhance creative industries and turn the public realm into beneficial people places

## 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	
	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	2,039.5	2,603.5	2,532.5	(71.0)	(2.7)
<b>REVENUES</b>	0.0	0.0	0.0	0.0	0.0
<b>NET EXP.</b>	2,039.5	2,603.5	2,532.5	71.0	(2.7)
<b>Approved Positions</b>	23.0	23.0	23.0	0.0	0.0

\* Note: Source is the Mayor's 2008 Third Quarter Operating Budget Variance Report.

### 2008 Experience

The Mayor's Office is projecting a year-end net favourable variance is \$0.071 million or 2.7% compared to the 2008 Approved Operating Budget of \$2.604 million. This is mainly attributable to under spending in salaries and benefits due to delays in hiring.

### Impact of 2008 Operating Variance on the 2009 Recommended Budget

The delay in hiring two positions in 2008 will continue into 2009, resulting in budgeted savings of \$0.047 million for 2009.



## 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
	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	2,603.5	2,603.3	(0.2)	(0.0)	67.2	59.9
<b>REVENUE</b>	0.0	3.9	3.9	0.0	0.0	0.0
<b>NET EXP.</b>	2,603.5	2,599.4	(4.1)	(0.2)	67.2	59.9
<b>Approved Positions</b>	23.0	23.0	0.0	0.0		
<b>NET TARGET</b>		<b>2,551.4</b>				
<b>\$ Over / (Under) Program Target</b>		<b>48.0</b>				
<b>% Over / (Under) Program Target</b>		<b>1.9%</b>				

### 2009 Recommended Base Budget

- The 2009 Recommended Base Budget of \$2.599 million net, represents a 0.2% decrease over the 2008 Approved Budget of \$2.604 million. However, it represents a \$0.048 million or 1.9% increase over the 2009 target of \$2.551 million, after service level adjustments of \$0.051 million.

### 2009 Key Cost Drivers and Reduction Strategies

- Key cost drivers for 2009 include:
  - Annualization of 2008 COLA and merit and step increases for non-union staff - \$0.084 million
  - Reversal of a portion of cost containment savings in 2008 - \$0.063 million
- These key cost drivers are partially offset by:
  - Reduction in the fringe benefit rate from 23% to 21% based on actual experience - \$0.037 million
  - Reversal of funding for one extra working day in 2008 - \$0.009 million
  - Reversal of one-time 2008 funding for IT software - \$0.050 million
  - Non-labour reduction in inflationary costs - \$0.005 million

- The 2009 Recommended Base Budget includes the following service level adjustments:
  - Elimination of a CPI increase for the Mayor's salary – \$0.004 million
  - Increase in the Gapping rate from 0.5% to 2.5% - \$0.047 million

**2010 and 2011 Outlook: Net Incremental Impact**

The \$0.067 million in 2010 and the \$0.060 million in 2011 maintain the projected 2009 level of service, providing for projected 2% Consumer Price Index (CPI) salary adjustments and merit and step increases in accordance with employment agreements and corporate policies for non-union staff. There are no provisions included in 2010 and 2011 for cost-of-living (COLA) increases for the staff of the Office of the Mayor.

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

The 2009 Recommended Operating Budget for the Office of the Mayor is \$2.599 million, which is 0.2% below the 2008 Approved Budget.

In order to keep the budget to a minimum, the Mayor has publicly announced that he will not take his 2009 salary increase of 2%, which is based on the CPI, as per Council policy.

Since this policy is Council approved, the reduction cannot be made by City staff, but must be donated back to the City by the Mayor. The reduction therefore shows as a revenue source in 2009.

## 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
		\$	\$	\$	\$	\$
<b>2008 Council Approved Operating Budget</b>	<b>23.0</b>	<b>2,601.1</b>	<b>0.0</b>	<b>2,601.1</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments		2.4		2.4		
Corporate adjustments				0.0		
<b>2008 Approved Operating Budget</b>	<b>23.0</b>	<b>2,603.5</b>	<b>0.0</b>	<b>2,603.5</b>	<b>0.0</b>	<b>0.0</b>
Prior year impacts		(20.6)		(20.6)		(9.6)
Zero base items				0.0		
Economic factors		67.1		67.1	67.2	69.5
<b>Adjusted Base Budget</b>	<b>23.0</b>	<b>2,650.0</b>	<b>0.0</b>	<b>2,650.0</b>	<b>67.2</b>	<b>59.9</b>
Other base changes		(0.2)		(0.2)		
Base revenue changes				0.0		
Recommended Service Level Adjustments:				0.0		
Base changes				0.0		
Service efficiencies				0.0		
Revenue adjustments				0.0		
Minor service impact		(46.5)	3.9	(50.4)		
Major service impact				0.0		
<b>Total Recommended Base Adjustments</b>	<b>0.0</b>	<b>(46.7)</b>	<b>3.9</b>	<b>(50.6)</b>	<b>0.0</b>	<b>0.0</b>
<b>2009 Recommended Base Budget</b>	<b>23.0</b>	<b>2,603.3</b>	<b>3.9</b>	<b>2,599.4</b>	<b>67.2</b>	<b>59.9</b>
<b>2009 Program Operating Target</b>				<b>2,551.4</b>		
<b>% Over (Under) Program Target</b>				<b>1.9%</b>		
<b>% Over (Under) 2008 Appvd. Budget</b>				<b>-0.2%</b>		

**Appendix B**

**Summary of Service Level Adjustments**

## Appendix D

## Program Summary by Expenditure Category

CLUSTER: Other City Programs PROGRAM: The Office of the Mayor							
	2008 Approved Budget	2008 Projected Actuals	2009 Recommended Budget	Change from 2008 Approved Budget		2010 Outlook	2011 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	2,251.3	2,205.0	2,306.3	55.0	2.4%	2,373.5	2,433.4
Materials and Supplies	26.0	14.7	26.0	0.0	0.0%	26.0	26.0
Equipment	53.0	53.0	3.0	(50.0)	(94.3%)	3.0	3.0
Services & Rents	248.6	250.4	248.6	0.0	0.0%	248.6	248.6
Contributions to Capital	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Contributions to Reserve/Res Funds	5.9	5.9	5.9	0.0	0.0%	5.9	5.9
Other Expenditures	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Interdivisional Charges	18.7	29.5	13.5	(5.2)	(27.8%)	13.7	13.7
<b>TOTAL GROSS EXPENDITURES</b>	<b>2,603.5</b>	<b>2,558.5</b>	<b>2,603.3</b>	<b>(0.2)</b>	<b>(0.0%)</b>	<b>2,670.7</b>	<b>2,730.6</b>
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	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Sundry Revenues	0.0	0.0	3.9	3.9	n/a	0.0	0.0
<b>TOTAL REVENUE</b>	<b>0.0</b>	<b>0.0</b>	<b>3.9</b>	<b>3.9</b>	<b>n/a</b>	<b>0.0</b>	<b>0.0</b>
<b>TOTAL NET EXPENDITURES</b>	<b>2,603.5</b>	<b>2,558.5</b>	<b>2,599.4</b>	<b>(4.1)</b>	<b>(0.2%)</b>	<b>2,670.7</b>	<b>2,730.6</b>
<b>APPROVED POSITIONS</b>	<b>23.0</b>	<b>23.0</b>	<b>23.0</b>	<b>0.0</b>	<b>0.0%</b>	<b>23.0</b>	<b>23.0</b>

## 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
		\$	\$	\$	\$
Insurance Reserve Fund	XR1010	5.9	5.9	5.9	5.9
<b>Total Reserve / Reserve Fund Draws / Contributions</b>			<b>5.9</b>	<b>5.9</b>	<b>5.9</b>