

Analyst Briefing Notes

Budget Committee

(February 10, 2009)

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

- Municipal Licensing and Standards (ML&S) strives to enhance the quality of life for those who live, work and visit the City of Toronto. ML&S accomplishes this through their lead in supporting the city as a safe, vibrant, creative and clean community through by-law administration and enforcement. Services provided by the Program include business license issuance, right-of-way and temporary sign permits, the processing of rooming house licenses, group home registrations and by-law exemption applications. ML&S is also responsible for the inspection and investigation of business licenses, right-of-way permits, noise, zoning, signs and property maintenance. These activities are provided through ML&S' three services, Business Licensing and Permission; By-Law Enforcement; and Toronto Animal Services beginning in 2008, as this service had previously been provided through Public Health.
- The Program's key challenges and opportunities over the next three years include:
 - Mayor and Council priorities, specifically, advancing the Dog and Cat Licensing Strategy create additional demands on ML&S resources while meeting service delivery responsibilities arising from their involvement in the Multi-Residential Apartment Building Strategy;
 - Service demand challenges arising from the increased attention to customer service measures of the Program. Managing resources to address customer service measures limits ML&S' ability to pro-actively focus on enforcement activities; and
 - Legislative requirements following the introduction of new by-laws, without additional resources for implementation creates additional pressures on ML&S staff, and increases the Program's need to develop and implement staff training and enforcement strategies to comply with the changing legislation.
- ML&S' has established for the next three year period services objectives that will focus on measurable and attainable improvements to service delivery, including the issuance of 5,000 new business licenses and conducting 176 building audits. The Program will also increase pro-active investigations and the number of dogs and cats licensed in the City. These objectives will address the key challenges and opportunities experienced by ML&S.
- The 2009 Recommended Operating Budget includes base and new funding for priority actions which address the Program's challenges, opportunities and objectives. Key priority actions include:
 - The promotion of a safe and healthy environment as well as a more efficient and effective public service through the augmented enforcement of multi-residential apartment buildings, which will utilize \$1.050 million in base funding to ensure buildings are maintained at a prescribed standard.

- ML&S will enhance the delivery of Toronto Animal Services. Service improvements will focus on pet population control, enforcement activities, animal sheltering and public education, promoting a safe and healthy environment for people and pets in the community. The 2009 Recommended Operating Budget includes new funding of \$0.606 million gross with a net savings of \$0.026 million for 8 new positions to continue the implementation of this priority action.
- The Program will embark on a licensing strategy which will pro-actively enforce delinquent and new businesses, ensuring businesses are operated in accordance with the provisions of the Municipal Code. This priority action will promote a more efficient and effective public service and enhance public safety. The 2009 Recommended Operating Budget includes new funding of \$0.325 million gross with a net savings of \$0.545 million for 7 new positions to implement this strategy.
- ML&S will advance the Mayor's priority for a Clean, Green and Beautiful City through initiatives which form part of the Climate Change and Clean Air and Sustainable Energy plans. Initiatives include the greening of the taxi fleet and the potential of a regulatory by-law to restrict retail establishments from running air conditioners while their storefront doors and/or windows are open.
- For 2008, ML&S projects year-end net expenditures of \$19.088 million which will be \$0.247 million or 1.3% below the 2008 Approved Operating Budget of \$19.336 million net. This favourable variance results from a combination of expenditure savings of \$1.247 million arising primarily from vacant positions which have been partially offset by \$1.000 million in lower than planned revenues primarily arising from challenges experienced in pro-actively focusing on unlicensed businesses.
- Projected gross expenditure savings of \$1.247 million are not anticipated to continue into 2009 as most staff vacancies are in the process of being filled. To address the lower than expected revenues projected for 2008, the Program will implement a licensing strategy which will focus on increasing enforcement of delinquent and new business licenses.

Table 1: 2009 Recommended Budget

	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
	\$	\$	\$	\$	\$	\$	%	\$	\$
(In \$000s)									
GROSS EXP.	45,205.5	43,958.2	46,296.7	930.6	47,227.3	2,021.8	4.5	955.2	519.9
REVENUE	25,869.8	24,869.8	27,944.0	1,501.8	29,445.8	3,576.0	13.8	813.7	
NET EXP.	19,335.7	19,088.4	18,352.7	(571.2)	17,781.5	(1,554.2)	(8.0)	141.5	519.9
Approved Positions	480.9	447.4	482.6	15.0	497.6	16.7	3.5		
TARGET			18,949.0		18,949.0				
\$ Over / (Under) Program Target			(596.3)		(1,167.5)				
% Over / (Under) Program Target			-3.1%		-6.2%				

- The 2009 Recommended Operating Budget for Municipal Licensing and Standards (ML&S) of \$47.227 million gross and \$17.782 million net is \$1.554 million or 8.0% below the 2008 Approved Operating Budget, and 6.2% or \$1.168 million below the Program's 2009 Operating Budget target. The 2009 target represents a 2.0% reduction from 2008 funding levels.
- The 2009 Recommended Operating Budget for ML&S is \$17.782 million net. This is comprised of base funding of \$18.353 million net and recommended funding for new/enhanced service priorities of \$0.931 million gross with a net savings of \$0.571. Approval of the 2009 Recommended Operating Budget will result in the Program's staff complement increasing from 480.9 to 497.6 approved positions.
 - Approval of the 2009 Recommended Operating Budget for ML&S will result in incremental net impacts to the Program of \$0.142 million in 2010 and \$0.520 million in 2011. Increased expenditures will arise from future year merit and step costs and the full year annualized costs of the Program's licensing strategy. The full year impact of the licensing strategy will also result in additional 2010 revenues, partially offsetting anticipated expenditures.
 - The 2010 and 2011 Outlooks do not include cost of living adjustments (COLA). These increases are subject to negotiations.
- The 2009 Recommended Operating Budget for ML&S incorporates the Program's key cost drivers, including:
 - Increases to salaries and benefits of \$1.072 million including merit, step and the annualization of 2008 COLA;
 - The incremental costs of new Animal Services staff approved in mid-2008 results in an additional pressure of \$0.248 million in 2009; and
 - These key cost drivers are offset by net revenue of \$0.517 million arising from the implementation of new re-inspection fees and a 3.7% inflationary increase to licensing fees based on the Consumer Price Index for the Toronto census area, resulting in additional net revenue of \$0.952 million.
- To promote the objectives of the Program and address existing challenges, the 2009 Recommended Operating Budget incorporates funding for new and enhanced services. These initiatives will advance activities which align with the Mayor's mandate and Council's current policy agenda by promoting a safe and healthy environment and a more efficient and effective public service:
 - Toronto Animal Services Licensing Reinvestment Strategy will advance the 2006 Council approved Dog and Cat Licensing Strategy and result in an increase of the number of licensed pets in the City, promoting responsible pet ownership and improving public service by reinvesting generated revenues into the delivery of Animal Services. New funding of \$0.606 million gross and net revenue of \$0.026 million will be provided for this new service priority in 2009 with 8 new permanent positions effective June 1, 2009. This service enhancement will result in 2010 incremental impacts to the Program of \$0.218 million gross and \$0.026 million net.

- Delinquent / New Business Licenses Enforcement will pro-actively enforce delinquent and new business licenses ensuring all businesses are operated in accordance with the provisions of the Municipal Code. New funding of \$0.325 million gross and net revenue of \$0.545 million is provided for this initiative in 2009 with 7 new permanent full time positions effective June 1, 2009. This service enhancement will result in 2010 incremental impacts to the Program of \$0.232 million gross and net revenue of \$0.389 million will be provided.
- The 2009 Recommended Operating Budget provides funding for ML&S to deliver services within its three primary service areas: License and Permission Issuance; By-law Enforcement; and Animal Services at the following service levels:
 - Business Licensing Services will issue approximately 53,000 business licenses in 2009, including the issuance of an additional 5,000 new business licenses, while ensuring a client is served in person within 15 minutes or less, 85% of the time. This serves the business and broader community through the issuance of new and renewal business licenses, right-of-way permits for outdoor cafes and vending, temporary sign permits, fireworks permits and the processing of rooming house licenses and group home registrations.
 - ML&S' Investigation Services will pro-actively inspect unlicensed businesses and 20% of all licensed businesses, complete 176 building audits of multi-residential apartment buildings and pro-actively inspect an estimated 10,000 temporary signs. ML&S will also provide an initial response time to an emergency complaint received of 24 hours or less, 100% of the time, and an initial response time to a non-emergency complaint received of 5 calendar days, 90% of the time. Additionally, this service contributes to a clean and safe city through inspections and investigations of property maintenance regarding waste, litter and dumping of refuse, fences, grass and weeds, graffiti, noise, zoning, signs, business licenses, and right-of-way permits.
 - Toronto Animal Services will issue 138,600 dog and cat licenses in 2009, which would represent an increase in the number of licensed dogs from 30% in 2008 to 46% in 2009 and an increase in cat's licensed from 9% in 2008 to 13% in 2009. This service promotes and supports a harmonious environment where humans and animals can co-exist free from conditions that adversely affect their health and safety.

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

1. City Council approve the 2009 Recommended Operating Budget for Municipal Licensing and Standards of \$47.227 million gross and \$17.782 million net, comprised of the following services:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Head Office	2,168.4	2,168.4
Licensing	9,554.0	(14,887.3)
Investigations	23,640.8	22,638.5
Toronto Animal Services	<u>11,864.0</u>	<u>7,861.8</u>
 Total Program Budget	 <u><u>47,227.3</u></u>	 <u><u>17,781.5</u></u>

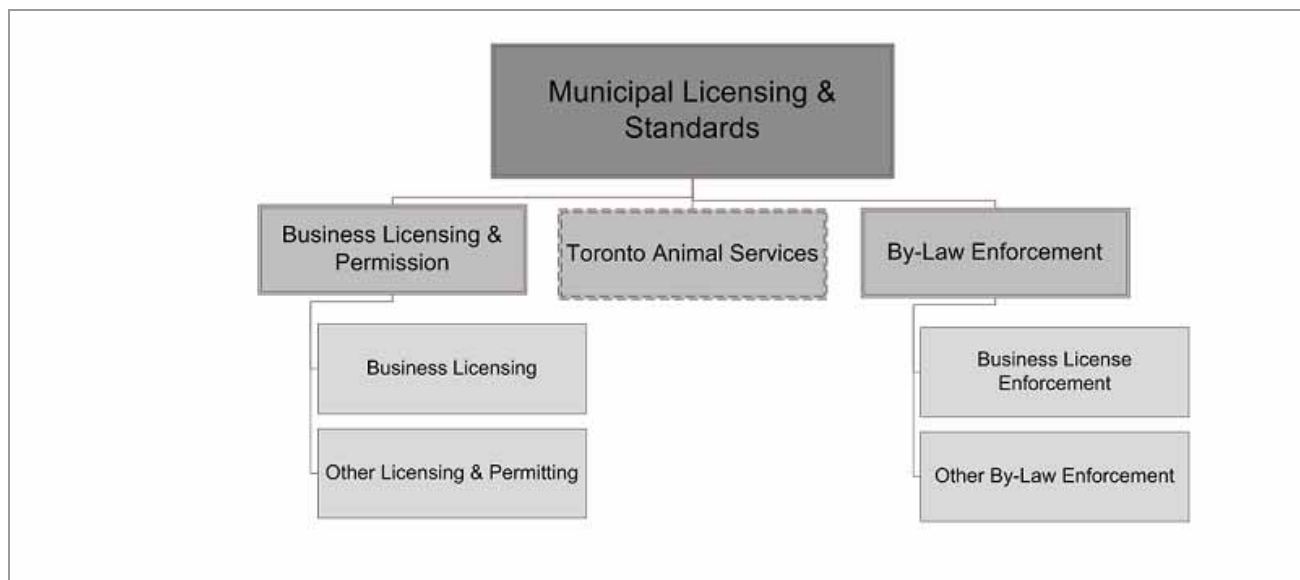
PART II: 3-YEAR SERVICE OVERVIEW AND PLAN

Municipal Licensing and Standards (ML&S) strives to be a leader in supporting the City of Toronto as a safe, vibrant, creative and clean community through by-law administration and enforcement, serving those who live, work and visit in the City.

To achieve this mission, ML&S provides services that include issuing business licenses, right-of-way permits and temporary sign permits, processing rooming house licenses, group home registrations and by-law exemption applications. The Program is also responsible for the inspection and investigation of business licenses, right-of-way permits, noise, zoning, garage sales, signs and property maintenance. ML&S has also assumed responsibility for Toronto Animal Services, as this service had previously been provided through Public Health.

ML&S delivers three services as detailed in the Program Map below:

Program Map



Service Challenges and Opportunities

Municipal Licensing and Standards (ML&S) manages the City's by-law administration and enforcement in accordance with Mayor and Council's priorities, increasing service demands and legislative requirements. There are a number of challenges that affect ML&S' ability to meet public expectations and deliver service that aligns to the directions and objectives set out in its Service Plan:

Mayor/Council's Policy Agenda

Multiple Mayor and Council priorities directly impact the strategic directions of ML&S. These include: the Multi-Residential Apartment Building Strategy, Illegal Dumping and the Graffiti Pilot

Project. These Mayor and Council priorities create significant demand on resources within the Program and require ML&S to balance, plan and prioritize in order to ensure that necessary resources are allocated to meet service delivery responsibilities.

Council approved the Dog and Cat Licensing Strategy to increase the number of licensed pets, promote responsible pet ownership and to reinvest in the delivery of Animal Services. Priority areas for additional service are increased access to pet sterilization, improved response to non-emergency enforcement requests and public hearings, increased support to meet growth in licensing compliance, and educating the public on lost pet and adoption services.

Service Demands

Managing resources to address service demands creates additional challenges in the Program's ability to pro-actively focus on enforcement activities. These challenges have limited ML&S' ability to pro-actively inspect unlicensed and delinquent business. Increased attention to customer service demands requires ML&S to meet the needs of the community through neighborhood consultation. It also requires the Program to obtain resources and modifying processes (including the development of a new case management system) to better manage the workload volume of the district offices, the Program's strategic targeted enforcement, training and resource acquisitions, and the availability of on-line information.

Legislative Requirements

ML&S operates in an environment of ongoing changes in legislation. The introduction of new by-laws without additional resources for implementation requires the reallocation existing staff resources and the ongoing development and implementation of staff training programs and enforcement strategies to ensure the Program complies with the changing legislation.

Service Objectives

ML&S' Service objectives focus on ensuring license response times and issuances are improved and ensuring increased pro-active enforcement. This reflects ML&S' commitment to excellent service within a safe, vibrant, creative and clean community. ML&S' key measurable service objectives targets for 2009 and beyond are as follows:

Business Licensing and Permission Services:

- To issue a new business license or a new permit in 20 business days or less, 90% of the time.
- To serve a client in person in 15 minutes or less, 85% of the time.

By-Law Enforcement

- To increase proactive inspection of unlicensed businesses.
- To provide an initial response time to an emergency complaint received of 24 hours or less, 100% of the time.

- To provide an initial response time to a non-emergency complaint received of 5 calendar days, 90% of the time.
- To complete the investigation process and close a file in 60 calendar days or less, 85% of the time.
- To proactively inspect 20% of all licensed businesses annually.
- To provide an initial response time to complaints received by the Waste Enforcement Team in 48 hours or less, 90% of the time.
- To proactively audit 176 multi-residential apartment buildings.

Toronto Animal Services

- To increase the number of licensed dogs to 46% and cats to 13% in 2009, and 60% and 30% respectively by 2011.
- To ensure 100% of all dogs, cats and rabbits adopted from the TAS are sterilized.
- To increase by 100%, the number of owned animals sterilized at TAS clinic from 250 to 500.
- To increase the combined percentage of cats returned home or adopted out by 5% annually.
- To decrease the waiting time by half for a public hearing date regarding a request to revoke an order to “muzzle a dog”.

Priority Actions

The 2009 Recommended Operating Budget for ML&S directly advances, through a number of initiatives, the Mayor and Council’s priorities of promoting a Safe and Healthy Environment, promoting a more efficient and effective public service and ensuring a Clean, Green and Beautiful City.

- ***Promote a Safe and Healthy Environment and Promote a More Efficient, Effective Public Service***

Multi-Residential Apartment Building Strategy (MRAB): ML&S will augment their current enforcement strategy to pro-actively audit an estimated 176 multi-residential apartment buildings. This represents an increase of 12X above the level of service provided in 2008. This strategy will ensure buildings are maintained to a prescribed standard. Funding of \$1.050 million is provided in the 2009 Recommended Base Budget for this priority action.

Toronto Animal Services – Licensing Reinvestment Strategy: This priority action will provide additional resources to ML&S to support the Council approved Dog and Cat Licensing Strategy, which will increase the number of licensed pets, promote responsible pet ownership and improve public service. Revenues generated from the increased issuance of pet licenses will be reinvested in the delivery of this service, improving the Program’s capacity to respond to service demands by doubling the number of pet sterilizations, significantly reducing the wait time for public hearing

requests, improving animal release rates and influencing a downward trend in the number of unwanted pets in the community and animals surrendered to Toronto Animal Services. The 2009 Recommended Operating Budget provides new funding of \$0.606 million gross with net revenue of \$0.026 million for an increase of 8 permanent full time positions effective June 1, 2009 to continue and enhance this Council approved strategy. This priority action enhancement will result in 2010 incremental impacts to the Program of \$0.218 million gross and \$0.026 million net.

Municipal Licensing and Standards Business Licensing Strategy: This recommended priority action will provide additional resources to ML&S, allowing the Program to enhance the establishment of Targeted Action Teams such as; Blitz Teams, Problem Property Teams, Building Audit Team and Rapid Response Teams to help focus enforcement actions in priority areas where there is reliance on team based enforcement. It will also allow ML&S to pro-actively enforce delinquent and new business licenses, ensuring all businesses are operated in accordance with the provisions of the Municipal Code. It is anticipated that this priority action will result in the pro-active inspection of an estimated 10,000 temporary signs, unlicensed businesses, and the issuance of 5,000 new business licenses in 2009. The 2009 Recommended Operating Budget provides new funding of \$0.325 million gross with net revenue of \$0.545 million for an increase of 7 permanent full time positions effective June 1, 2009 for this initiative. This priority action will result in 2010 incremental impacts to the Program of \$0.232 million gross and net revenue of \$0.389 million will be provided.

- ***A Clean, Green, and Beautiful City:***

Climate Change and Clean Air and Sustainable Energy Plans: ML&S supports a Clean, Green and Beautiful City through initiatives such as the greening of taxi fleets, and a potential regulatory by-law to address the environmentally regressive practice of a growing number of retail establishments in the running of air conditioners while keeping storefront doors and/or windows open. These priority actions are funded from the Program's base budget and form part of the Climate Change and Clean Air and Sustainable Energy Plans.

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.	31,236.3	45,205.5	43,958.2	(1,247.3)	(2.8)
REVENUES	20,720.8	25,869.8	24,869.8	(1,000.0)	(3.9)
NET EXP.	10,515.5	19,335.7	19,088.4	(247.3)	(1.3)
Approved Positions	336.0	480.9	447.4	(33.5)	(7.0)

Note: *Source Municipal Licensing & Standards 2008 Third Quarter Operating Budget Variance Report.

2008 Experience

Municipal Licensing & Standards' (ML&S) Third Quarter Variance Report projects that the Program's 2008 Approved Operating Budget of \$19.336 million net will be \$0.247 million or 1.3% under-spent by year-end.

ML&S' projected 2008 year-end gross expenditure of \$43.958 million is under the 2008 Approved Budget of \$45.206 million by \$1.247 million or 2.8%. Under expenditures are primarily in Salaries & Benefits, arising from vacant positions through 2008. Recruitment was underway as of the third quarter for the majority of these positions and the number of vacancies will be reduced by year-end.

Projected year-end revenue of \$24.870 million is under the 2008 Approved Budget of \$25.870 million by \$1.000 million or 3.9%. Of this amount, \$0.200 million of unrealized revenue resulted from a delay in hiring seasonal enforcement staff for the Dog and Cat Licensing Strategy. The remaining \$0.800 of unrealized revenue is the result of challenges the Program experienced in pro-actively focusing on unlicensed businesses.

Impact of 2008 Operating Variance on the 2009 Recommended Budget

- The projected 2008 gross expenditure savings of \$1.247 million that were primarily due to staff vacancies are not expected to be fully realized in 2009 as most vacancies are now in the process of being filled and ML&S plans to fill all vacant positions included in the 2009 Operating Budget.
- The 2009 revenue estimate assumes an increase in revenues as ML&S implements a licensing strategy which will focus on increasing enforcement of delinquent and unlicensed businesses.
 - ML&S and Financial Planning staff will monitor revenue through 2009 to determine if any revenue adjustments are required for 2010.

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.	45,205.5	46,296.7	1,091.2	2.4	504.8	519.9
REVENUE	25,869.8	27,944.0	2,074.2	8.0		
NET EXP.	19,335.7	18,352.7	(983.0)	(5.1)	504.8	519.9
Approved Positions	480.9	482.6	1.7	0.4		
NET TARGET		18,949.0				
\$ Over / (Under) Program Target		(596.3)				
% Over / (Under) Program Target		-3.1%				

2009 Recommended Base Budget

The 2009 Recommended Base Budget expenditures of \$46.297 million gross, reflect an increase of \$1.091 million or 2.4% compared to the 2008 Approved Operating Budget of \$45.206 million. The increase in gross expenditures includes the annualized impact of Toronto Animal Services (TAS) staff approved in 2008, merit and step increases and the annualization of 2008 cost-of-living adjustments.

The 2009 Recommended Base Budget revenues of \$27.944 million are \$2.074 million or 8.0% higher than the 2008 Approved Operating Budget. The increase primarily reflects the projected incremental revenues of \$0.952 million arising from a 3.7% inflationary increase in licensing fees and an additional \$0.936 million based on increased revenues arising from ML&S' licensing strategy.

The 2009 Recommended Base Budget of \$18.353 million net represents a 5.1% or \$0.983 million decrease from the 2008 Approved Operating Budget and a 3.1% or \$0.596 million decrease from ML&S' 2009 budget target of \$18.949 million while maintaining 2008 service levels, and adding 1.7 positions arising from the full year impact of 0.7 temporary TAS staff which had been approved in 2008 and the transfer of 1 additional position from Public Health. The 2009 Recommended Base Budget does not include a provision for further cost-of-living adjustments, as this is subject to negotiation.

2009 Key Cost Drivers and Reduction Strategies

The 2009 Recommended Base Budget provides funding for the following key cost drivers:

- Increases to salaries and benefits of \$1.072 million including merit, step and the annualization of 2008 COLA; and
- The incremental costs for new Animal Services staff approved in mid-2008 results in an additional pressure of \$0.248 million in 2009.

Offsetting these increased costs are two increases to net revenue totalling \$1.469 million:

- \$0.952 million from the 3.7% inflationary increase to licensing fees based on the Consumer Price Index for the Toronto census area; and
- \$0.517 million arising from the implementation of re-inspection fees.

2010 and 2011 Outlook: Net Incremental Impact

The 2010 and 2011 Outlooks maintain the 2009 recommended level of service but do not include provisions for cost of living adjustments as COLA is subject to future negotiations.

- The 2010 Outlook has an incremental increase of \$0.505 million for merit and step.
- The 2011 Outlook has an incremental increase of \$0.520 million for merit and step.

PART V: RECOMMENDED NEW SERVICE PRIORITY ACTIONS

Table 4
2009 New / Enhanced Service Priority Actions: Summary
(In \$000s)

Description	2009 Recommended		Rec. New Positions	Net Incremental Impact	
	Gross Exp.	Net Exp.		2010	2011
	\$	\$		\$	\$
Enhanced Services:					
(a) Enhanced Services - Council Approved					
(b) Enhanced Services - Program Initiated					
Toronto Animal Services Licensing Reinvestment Strategy	605.6	(26.0)	8.0	26.0	
Delinquent / Unlicensed Business Enforcement	325.0	(545.2)	7.0	(389.3)	
Sub-Total Enhanced Services	930.6	(571.2)	15.0	(363.3)	0.0
New Services:					
(a) New Services - Council Approved					
(b) New Services - Program Initiated					
Sub-Total New Services	0.0	0.0	0.0	0.0	0.0
Total New/Enhanced Services	930.6	(571.2)	15.0	(363.3)	0.0

2009 Recommended New / Enhanced Service Priority Actions

Enhanced Service Priority Actions – Program Initiated

Toronto Animal Services Licensing Reinvestment Strategy

Municipal Licensing and Standards will continue to implement the 2006 Council approved Dog and Cat Licensing Strategy through an increase of 8 permanent full time positions effective June 1, 2009, which will support the Mayor and Council's priority of promoting a more efficient, effective public service. The 2009 Recommended Operating Budget for ML&S provides funding of \$0.606 million gross with net revenue of \$0.026 million for this enhanced service priority action, and a net incremental impact of \$0.026 million in 2010.

- Additional staff recommended in the Operating Budget will ensure ML&S can support the continued implementation of Council's Dog and Cat Licensing Strategy, increasing the number of licensed pets in the city. Utilizing generated revenue from pet licenses, the Program will reinvest in Animal Services. Service improvements will focus on enforcement activities, pet population control, animal sheltering and public education, all of which will promote a safe and healthy environment for people and pets in the community.

- This new service priority is expected to result in an increase in the number of dogs licensed in the City from 30% in 2008 to 46% in 2009. It is also anticipated that the number of cats licensed will increase from 8% in 2008 to 13% in 2009.
- This new service priority will also result in 500 privately owned pets and 1,500 Toronto Animal Service pets sterilized through the Veterinary Services provided by Animal Services.

Delinquent / Unlicensed Business Enforcement

An increase of 7 permanent full time positions effective June 1, 2009 will allow ML&S to implement their licensing strategy, ensuring all businesses are operated in accordance with the provisions of the Municipal Code. This enhanced service priority will support the Mayor and Council's priority of ensuring community safety and help promote a more efficient and effective public service. The 2009 Recommended Operating Budget provides gross funding of \$0.325 million with net revenue of \$0.545 million, and 2010 incremental impacts of \$0.232 million gross with net revenue of \$0.389 million for this initiative.

- Additional staff recommended in the 2009 Operating Budget will allow ML&S to address challenges the Program experienced in pro-actively enforcing delinquent and unlicensed businesses. The Program anticipates that this new service priority will ensure the pro-active inspection of unlicensed businesses and the issuance of an additional 5,000 new business licenses in 2009.
- This new initiative forms part of the Program's licensing strategy, supporting the reinvestment of revenues into service enhancements and increased expenditures to meet volume demands.

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

Municipal Licensing and Standards' (ML&S) 2009 Recommended Operating Budget is \$47.227 million gross and \$17.782 million net, and does not include a provision for COLA, as this is subject to negotiations. The 2009 Recommended Operating Budget for ML&S is \$1.554 million or 8.0% below the 2008 Approved Operating Budget, and 6.2% or \$1.168 million below the Program's 2009 Operating Budget target. The 2009 target represents a 2.0% reduction from 2008 funding levels.

ML&S' 2009 Recommended Operating Budget is below the operating target by \$1.168 million primarily as a result of anticipated increased revenues arising from ML&S' licensing strategy to proactively focus on new and unlicensed businesses as well as additional revenues arising from the 3.7% inflationary increase to licensing fees, which allow ML&S to offset inflationary increases to expenditures.

Licensing Strategy

ML&S is embarking on a program-wide licensing strategy in 2009 advancing opportunities available to address unlicensed businesses, delinquent businesses and unlicensed pets. Furthermore, the Program will begin to charge for services provided, for which fees that had been previously approved were never applied. This includes the previously Council approved re-inspection fee, which, with implementation in 2009 will help ensure the cost recovery of services provided for by the Program.

This strategy will also provide the opportunity for ML&S to reinvest additional revenues received through increased activity to improve service and address volume demands.

The 2009 Recommended Operating Budget incorporates an increase in revenues of \$2.294 million in 2009 as a result of ML&S' licensing strategy. This includes an increase of \$0.870 million from the enforcement of delinquent and unlicensed businesses, an overall increase of \$0.907 million from the licensing reinvestment strategy for Animal Services and an additional \$0.517 million from the implementation of re-inspection fees.

ML&S and Financial Planning staff will monitor revenue through 2009 to determine if any adjustments to revenue estimates are required for 2010.

Outstanding Issues from 2008 and Prior Years***Full Cost Recovery Model***

The current methodology in place to establish and set annual business licensing fees based on category of license is a static application based on 2004 known requirements which may not fully account for all eligible direct and indirect costs in 2009, nor is it flexible enough to account for future year costs.

As part of the overall licensing strategy, ML&S with the support of Accounting Services and Financial Planning staff will continue to develop a new methodology that more accurately represents the effort involved in business licensing activities related to all categories of licenses and ensure that all eligible costs are addressed in future business licensing fee structures. It is anticipated that this new model will be completed in 2009 for the 2010 Budget process.

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	480.9	45,096.9	25,869.8	19,227.1	0.0	0.0
Corporate adjustments		108.6		108.6		
2008 Approved Operating Budget	480.9	45,205.5	25,869.8	19,335.7	0.0	0.0
Prior year impacts	0.7	1,185.9		1,185.9	504.8	519.9
Zero base items						
Economic factors						
Adjusted Base Budget	481.6	46,391.4	25,869.8	20,521.6	504.8	519.9
Other base changes	1.0	(94.7)	186.0	(280.7)		
Base revenue changes			1,888.2	(1,888.2)		
Recommended Service Level Adjustments:						
Base changes						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	1.0	(94.7)	2,074.2	(2,168.9)	0.0	0.0
2009 Recommended Base Budget	482.6	46,296.7	27,944.0	18,352.7	504.8	519.9
2009 Program Operating Target				18,949.0		
% Over (Under) Program Target				-3.1%		
% Over (Under) 2008 Appvd. Budget				-5.1%		

Appendix C

**Summary of 2009 Recommended New/Enhanced
Service Priority Actions**

Appendix D

Program Summary by Expenditure Category

PROGRAM: MUNICIPAL LICENSING AND STANDARDS							
	2008 Approved Budget	2008 Projected Actuals	2009 Recommended Budget	Change from 2008 Approved Budget		2010 Outlook	2011 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	35,832.9	34,585.6	37,662.4	1,829.5	5.1%	38,617.6	39,137.5
Materials and Supplies	1,289.2	1,289.2	1,322.7	33.5	2.6%	1,322.7	1,322.7
Equipment	183.3	183.3	199.6	16.3	8.9%	199.6	199.6
Services & Rents	2,381.4	2,381.4	2,531.7	150.3	6.3%	2,531.7	2,531.7
Contributions to Capital	240.6	240.6	283.6	43.0	17.9%	283.6	283.6
Contributions to Reserve/Res Funds	776.1	776.1	437.1	(339.0)	(43.7%)	437.1	437.1
Other Expenditures	63.2	63.2	94.5	31.3	49.5%	94.5	94.5
Interdivisional Charges	4,438.8	4,438.8	4,695.7	256.9	5.8%	4,695.7	4,695.7
TOTAL GROSS EXPENDITURES	45,205.5	43,958.2	47,227.3	2,021.8	4.5%	48,182.5	48,702.4
Interdivisional Recoveries	8.5	8.5	203.8	195.3	2297.6%	203.8	203.8
Provincial Subsidies				0.0	n/a		
Federal Subsidies				0.0	n/a		
Other Subsidies				0.0	n/a		
User Fees & Donations	2,206.0	2,206.0	3,666.8	1,460.8	66.2%	3,859.1	3,859.1
Transfers from Capital Fund				0.0	n/a		
Contribution from Reserve Funds				0.0	n/a		
Contribution from Reserve				0.0	n/a		
Sundry Revenues	23,655.3	22,655.3	25,575.2	1,919.9	8.1%	26,196.6	26,196.6
TOTAL REVENUE	25,869.8	24,869.8	29,445.8	3,576.0	13.8%	30,259.5	30,259.5
TOTAL NET EXPENDITURES	19,335.7	19,088.4	17,781.5	(1,554.2)	(8.0%)	17,923.0	18,442.9
APPROVED POSITIONS	480.9	447.4	497.6	16.7	3.5%	497.6	497.6

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	27,774.8	278.3	278.3	278.3
Fleet Vehicle Reserve	XQ1301	631.3	158.8	158.8	158.8
Total Reserve / Reserve Fund Draws / Contributions		28,406.1	437.1	437.1	437.1