

# Analyst Briefing Notes

## Administration Committee (January 5, 2006)

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**PART I: 2006 Operating Budget Overview**

**Table 1: 2006 Proposed Budget**

	2005		2006 Proposed Operating Budget			Change 2006 Proposed from 2005 Budget		FY Incremental Outlook	
	2005 Approved Budget	2005 Proj Act.	2006 Proposed Base	2006 New Council Priorities	2006 Proposed Op. Bud.			2007	2008
(In \$000s)	\$	\$	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	6,189.8	6,142.9	6,322.1	220.0	6,542.1	352.3	5.7	0.0	0.0
<b>REVENUE</b>	295.0	295.0	311.5	220.0	531.5	236.5	N/A	0.0	0.0
<b>NET EXP.</b>	5,894.8	5,847.9	6,010.6	0.0	6,010.6	115.8	2.0	0.0	0.0
<b>Approved Positions</b>	61.0	61.0	61.0	2.0	63.0	2.0	3.3	0.0	0.0
<b>TARGET</b>			<b>6,012.7</b>						
<b>\$ Over / (Under) Program Target</b>			<b>(2.1)</b>						
<b>% Over / (Under) Program Target</b>			<b>0.0%</b>						

**Executive Summary**

- The 2005 projected year-end net expenditure of \$5.848 million is \$0.047 million or 0.8% below the 2005 Approved Budget. This anticipated favourable variance at year-end is primarily due to under-spending in non-salary expenditures.
- The 2006 Proposed Budget for the City Manager’s Office of \$6.011 million net is comprised of \$6.011 million net for Base funding and zero net for New Services.
- The 2006 Proposed Base Budget meets the 2% target of \$6.013 million.
- The 2006 Proposed Base Budget adjustments include an efficiency reduction of \$0.087 million and a one-time minor service level reduction of \$0.240 million to the 2006 Requested Base Budget.
- The City Manager’s Proposed New Services includes two additional staff positions to provide dedicated services to other City Programs that have requested full-time Internal Audit Support. No new funding will be required since the salary related costs of \$0.220 million for these positions will be fully funded by contributions from the Programs under the jurisdiction of the Deputy City Managers, for a net zero impact.

**Recommendations**

It is recommended that the 2006 Proposed Operating Budget for the City Manager's Office of \$6.542 million gross and \$6.011 million net, comprised of the following services, be approved:

<u>Service:</u>	Gross <u>\$(000's)</u>	Net <u>\$(000's)</u>
Executive Management	1,642.3	1,642.3
Strategic & Corp. Policy/Healthy City Office	3,932.3	3,932.3
Internal Audit	967.5	436.0
Total Program Budget	<u>6,542.1</u>	<u>6,010.6</u>

**PART II: BASE BUDGET**

**Section A: 2005 Budget Variance Analysis**

**Table 2: 2005 Budget Variance Review**

	2004 Actuals	2005 Approved Budget	2005 Projected Actuals *	2005 Approved vs Projected Actuals Variance Over / (Under)	
(In \$000s)	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	5,501.3	6,189.8	6,142.9	(46.9)	(0.8)
<b>REVENUES</b>	171.1	295.0	295.0	0.0	N/A
<b>NET EXP.</b>	5,330.2	5,894.8	5,847.9	(46.9)	(0.8)
<b>Approved Positions</b>	56.0	61.0	61.0	0.0	0.0

\*Projected Actual expenditures to year-end based on Revised 3<sup>rd</sup> Quarter Variance Projections.

**2005 Experience**

Revised 3<sup>rd</sup> Quarter Variance Projections indicate that the 2005 Approved Budget will be under-spent by \$0.047 million at year end due to lower than anticipated spending on materials and supplies and the deferral of planned equipment replacement to 2006.

**Impact of 2005 Operating Variance on 2006 Proposed Budget**

- The 2005 Experience is partly reflected in the 2006 Proposed Reduction Options as an efficiency reduction in the amount of \$0.022 million arising from reductions in budgets for materials and supplies, equipment and services and rents.

**Section B: 2006 Proposed Base Budget**

**Table 3: 2006 Proposed Base Budget**

	2005 Approved Budget	2006 Requested Base	2006 Proposed Base	Change 2006 Proposed Base v. 2005 Approved Budget		FY Incremental Outlook	
						2007	2008
(In \$000s)	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	6,189.8	6,648.8	6,322.1	132.3	2.1	0.0	0.0
<b>REVENUE</b>	295.0	311.5	311.5	16.5	5.6	0.0	0.0
<b>NET EXP.</b>	5,894.8	6,337.3	6,010.6	115.8	2.0	0.0	0.0
<b>Approved Positions</b>	61.0	61.0	61.0	0.0	0.0	0.0	0.0
<b>NET TARGET</b>			<b>6,012.7</b>				
<b>\$ Over / (Under) Program Target</b>			<b>(2.1)</b>				
<b>% Over / (Under) Program Target</b>			<b>0.0%</b>				

**2006 Proposed Base Budget**

- The 2006 Proposed Base Budget of \$6.011 million net is 2.0% over the City Manager's 2005 Approved Budget, and therefore meets the 2006 target.
- The 2006 Proposed Base Budget adjustments include an efficiency reduction of \$0.087 million and one-time minor service level reduction of \$0.238 million to the 2006 Requested Base Budget of \$6.337 million net.

**2006 Key Cost Drivers**

- Salary-related expenditures of \$0.460 million that include Cost-of-Living Adjustments (COLA) of 3%, increased cost of benefits, ongoing merit, and maternity leave replacement costs have contributed to key pressures in 2006.

**Table 4: Summary of Proposed Base Budget Changes  
From 2005 Approved Budget**

	Summary of 2006 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2007	2008
(\$000's)		\$	\$	\$	\$	\$
<b>2005 Approved Operating Budget</b>	<b>60.0</b>	<b>5,836.7</b>	<b>295.0</b>	<b>5,541.7</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments	1.0	353.1	0.0	353.1		
<b>2005 Approved Operating Budget</b>	<b>61.0</b>	<b>6,189.8</b>	<b>295.0</b>	<b>5,894.8</b>	<b>0.0</b>	<b>0.0</b>
Annualizations		243.6		243.6		
Economic factors		148.4		148.4		
<b>Adjusted Base Budget</b>	<b>61.0</b>	<b>6,581.8</b>	<b>295.0</b>	<b>6,286.8</b>	<b>0.0</b>	<b>0.0</b>
Other base changes		67.0		67.0		
Base revenue changes			16.5	(16.5)		
<b>2006 Base Budget Request</b>	<b>61.0</b>	<b>6,648.8</b>	<b>311.5</b>	<b>6,337.3</b>	<b>0.0</b>	<b>0.0</b>
Proposed Base Adjustments:						
Other base changes						
Service efficiencies		(87.0)		(87.0)		
Revenue adjustments						
Minor service impact		(239.7)		(239.7)		
Major service impact						
<b>Total Proposed Base Adjustments</b>	<b>0.0</b>	<b>(326.7)</b>	<b>0.0</b>	<b>(326.7)</b>	<b>0.0</b>	<b>0.0</b>
<b>2006 Proposed Base Budget</b>	<b>61.0</b>	<b>6,322.1</b>	<b>311.5</b>	<b>6,010.6</b>	<b>0.0</b>	<b>0.0</b>
<b>2006 Program Operating Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>6,012.7</b>		
<b>% Over (Under) Program Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>(0.0)</b>		
<b>% Over (Under) 2005 Approved Budget</b>	<b>0.0</b>	<b>2.1</b>	<b>N/A</b>	<b>2.0</b>		

**Section C: 2006 Base Budget Issues****Key Issues / Recommendations*****Service Level Changes***

The 2006 Proposed Operating Budget of \$6.011 million includes the following proposed reductions (totaling \$0.327 million) to bring the City Manager's 2006 Operating Budget to the target level of a 2% increase over the Approved 2005 Operating Budget of \$5.895 net:

- Efficiency – A total reduction in non-salary expenditures of \$0.087 million, of which \$0.065 million is attributable to savings anticipated from the corporate administrative restructuring;
- Executive Management Office - One of two vacancies created by employees on maternity leave will be held vacant for 2006, resulting in savings of \$0.046 million; and
- Strategic & Corporate Policy – The Coordinator of Community Engagement position will remain unfilled during 2006, resulting in savings of \$0.106 million, and additional one-time unplanned gapping of \$0.088 million by not filling vacancies arising from turnover.

***Revenue Changes***

- There are no base budget revenue changes.

***3 Year Operating Budget Overview***

- The City Manager's future years' Operating Budgets could be impacted by changes arising from the implementation of the City's governance review and the new City of Toronto Act. However, any impact will not be known until later in 2006.

**Issues Referred to 2006 Operating Budget Process**

None

**Outstanding Issues from 2005 and Prior Years**

None

**Appendix A**

**Summary of Service Level Adjustments**

**PART III: NEW COUNCIL PRIORITIES**

**Section D: 2006 Recommended New Council Priorities**

**Table 5: Summary of 2006 Recommended New Council Priorities (\$000)**

Council Priority	Description	Total 2006 New Requests		2006 Not Proposed		2006 Proposed Council Priorities		Proposed New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.	Gross Exp.	Net Exp.	Gross Exp.	Net Exp.		2007	2008
		\$	\$	\$	\$	\$	\$		#	\$
<b>Council Priorities:</b>	None									
	Sub-Total Council Priorities									
<b>New Requests Referred to 2006 Operating Budget:</b>	None									
	Sub-Total Referred									
<b>New Program Requests:</b>										
1	Enhance corporate oversight and financial control	220.0	0.0			220.0	0.0	2.0		
	Sub-Total New Program Requests	220.0				220.0		2.0		
<b>Total New Council Priorities</b>		<b>220.0</b>				<b>220.0</b>		<b>2.0</b>		
<b>Council Priority</b>		6 - Ensure housing is affordable 7 - Get the powers and funding needed for Toronto to succeed 8 - Improve the planning process 9 - Increase public involvement in civic affairs 10 - N/A								
1 - Improve Public Service										
2 - Make Progress on the Waterfront										
3 - Improve Business Climate										
4 - Make Toronto a clean and beautiful city										
5 - Strengthen our at-risk neighbourhoods										

**Key Issues / Recommendations**

**2006 New Council Priorities**

There are no New Council Priorities.

**New Requests Referred to 2006 Operating Budget Process**

There are no New Requests referred to 2006 Operating Budget Process.

**2006 New Program Requests**

As part of enhancing oversight and controls across the City, the City Manager's 2006 Proposed Budget for new requests includes two additional senior-level Audit positions for a net zero impact to the Internal Audit Division. No new funding will be required since the salary related costs of \$0.220 million for these positions will be fully funded by the Programs under the jurisdiction of the Deputy City Managers, for a net zero impact.

**Appendix B**

**Summary of New Council Priority Services**