

**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>	16,687.9	16,391.6	16,908.3	0.0	16,908.3	220.4	1.3	0.0	0.0
<b>REVENUE</b>	3,490.5	3,361.9	3,447.0	0.0	3,447.0	(43.5)	(1.2)	0.0	0.0
<b>NET EXP.</b>	13,197.4	13,029.7	13,461.3	0.0	13,461.3	263.9	2.0	0.0	0.0
<b>Approved Positions</b>	172	172	167.0	0.0	167.0	(5.0)	(2.9)	0.0	0.0
<b>TARGET</b>			<b>13,461.3</b>						
<b>\$ Over / (Under) Program Target</b>			<b>(0.0)</b>						
<b>% Over / (Under) Program Target</b>			<b>(0.0)</b>						

**Executive Summary**

- The 2005 projected net expenditure of \$13.030 million is \$0.168 million below the 2005 Approved Budget due mainly to higher than budgeted gapping realized during 2005.
- The 2006 Proposed Operating Budget for the Office of the DCM and Chief Financial Officer of \$13.461 million net is comprised of Base funding of \$13.461 million with no New Services and is 2.0% higher than the 2005 Approved Budget.
- 2006 Key Cost Drivers include collective agreement decisions and inflationary increases of \$0.891 million.
- Proposed Base Budget Adjustments include a reduction of \$0.635 million for the following:
  - \$0.543 million in salary and benefits cost savings relating to the decrease of 5 approved positions arising from the pending final outcome of the Finance and Administrative function review; and
  - Efficiency savings in the amount of \$0.092 million for various non-labour expenditures, reduced printing costs of Budget Books and casual labour during peak periods.

**Recommendations:**

It is recommended that the Office of the DCM and Chief Financial Officer's 2006 Proposed Operating Budget of \$16.908 million gross and \$13.461 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000's)</u>	<u>Net</u> <u>(\$000's)</u>
Support Services	1,340.2	1,173.9
Corporate Finance	3,542.0	1,454.4
Financial Planning	4,607.9	3,765.4
Special Projects	447.4	447.4
Service Improvement and Innovation	6,970.8	6,620.2
	<hr/>	<hr/>
Total Program Budget	16,908.3	13,461.3
	<hr/>	<hr/>

## 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)	\$	\$	\$	\$	% Unspent
<b>GROSS EXP.</b>	15,831.4	16,687.9	16,391.6	(296.3)	(1.8)
<b>REVENUES</b>	3,130.3	3,490.5	3,361.9	(128.6)	(3.7)
<b>NET EXP.</b>	12,701.1	13,197.4	13,029.7	(167.7)	(1.3)
<b>Approved Positions</b>	179.0	172.0	172.0	0.0	0.0

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

### 2005 Experience

The 3<sup>rd</sup> quarter projection to year-end is \$13.030 million net which is \$0.168 million under the 2005 Approved Budget.

- The favourable gross expenditure variance of \$0.296 million is mainly due to additional gapping achieved in 2005. Revenues are projected to be under budget by \$0.128 million mostly due to a shortfall in inter-program recoveries and the reversal of non-recurring TTC study revenue.

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

The following 2005 Operating Variances are expected to impact the 2006 Proposed Budget:

- The 2006 proposed budget includes \$0.092 million in efficiency savings and salary and fringe benefit reductions resulting from the Finance and Administrative review; and
- The 2005 increase in inter-program recoveries will carry forward into 2006 reducing the base pressure by \$0.053 million.

## 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>	16,687.9	17,557.3	16,908.3	220.4	1.3	0.0	0.0
<b>REVENUE</b>	3,490.5	3,461.0	3,447.0	(43.5)	(1.2)	0.0	0.0
<b>NET EXP.</b>	13,197.4	14,096.3	13,461.3	263.9	2.0	0.0	0.0
<b>Approved Positions</b>	172.0	172.0	167.0	(5.0)	(2.9)		
<b>NET TARGET</b>			<b>13,461.3</b>				
<b>\$ Over / (Under) Program Target</b>			<b>(0.0)</b>				
<b>% Over / (Under) Program Target</b>			<b>0.0%</b>				

## 2006 Proposed Base Budget

- The 2006 Proposed Base Budget of \$13.461 million net represents a 2% increase over the Program's 2005 Approved Budget. The target will be achieved through the reduction of 5 staff positions (\$0.543 million) to be determined pending the final outcome of the Finance and Administrative review arising from corporate restructuring and efficiency savings of \$0.092 million.

## 2006 Key Costs Drivers

Most of the cost increases in the Office of the DCM and Chief Financial Officer's budget in 2006 are salary related given that 92% of the gross Program budget is comprised of salaries and benefits. Such costs include:

- Ongoing merit and step increases, higher costs of fringe benefits, and inflationary increases for non-salary expenditures in the amount of \$0.430 million;
- Collective agreement decisions which impact on salary and fringe benefits in the amount of \$0.461 million (COLA, Local 79 wage harmonization); and
- A non-recurring revenue for the TTC study (Warden & Finch) results in the reversal of \$0.075 million in revenue and a resulting pressure for 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>175</b>	<b>16,663.8</b>	<b>3,490.5</b>	<b>13,173.3</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments	(3)	24.1	0.0	24.1		
<b>2005 Approved Operating Budget</b>	<b>172</b>	<b>16,687.9</b>	<b>3,490.5</b>	<b>13,197.4</b>	<b>0.0</b>	<b>0.0</b>
Annualizations		412.7	(75.0)	487.7		
Economic factors		477.8	0.0	477.8		
<b>Adjusted Base Budget</b>	<b>172</b>	<b>17,578.4</b>	<b>3,415.5</b>	<b>14,162.9</b>	<b>0.0</b>	<b>0.0</b>
Other base changes	0	(21.1)	(32.2)	11.1		
Base revenue changes	0	0.0	77.7	(77.7)		
<b>2006 Base Budget Request</b>	<b>172</b>	<b>17,557.3</b>	<b>3,461.0</b>	<b>14,096.3</b>	<b>0.0</b>	<b>0.0</b>
Proposed Base Adjustments:						
Other base changes						
Service efficiencies		(86.4)	(14.0)	(72.4)		
Revenue adjustments						
Minor service impact		(20.0)		(20.0)		
Major service impact	(5)	(542.6)		(542.6)		
<b>Total Proposed Base Adjustments</b>	<b>(5)</b>	<b>(649.0)</b>	<b>(14.0)</b>	<b>(635.0)</b>	<b>0.0</b>	<b>0.0</b>
<b>2006 Proposed Base Budget</b>	<b>167</b>	<b>16,908.3</b>	<b>3,447.0</b>	<b>13,461.3</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>13,461.3</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 (Adj.) Budget</b>	<b>(2.9)</b>	<b>1.3</b>	<b>(1.2)</b>	<b>2.0</b>		

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

- The service level adjustments proposed by the Program are recommended. A thorough review of the expenditures and revenues was conducted based on the projected actuals in 2005 and the revised 2006 requirements resulting in non-labour expenditure savings of \$0.092 million.
- The proposed position reductions to be achieved through the implementation of the new Finance and Administrative structure in Internal Services are recommended. However, the actual position reductions will be identified in the final outcome of the Administrative Review which will result in savings of \$0.543 million.
- Salaries and Benefits for 5 Management Consultants in the Service Improvement and Innovation (SII) are included in this 2006 Base Budget and will remain pending a final review of the Management Consultant function in 2006. Three consultants are temporarily assigned to Citizen Centered Services “A”; while two positions are temporarily assigned to the City Manager’s Office.

**3 Yr Operating Budget Overview**

- Corporate reorganization will result in integration of Support Services and the former Service, Improvement and Innovation divisions to provide a new Finance and Administration structure to support Internal Services;
- Continue to implement the new budget process approved by City Council in 2005 with a focus to move the City towards a firm 5-year Capital Budget and Plan and multi-year service planning and operating budgets to support longer-term financial planning and fiscal sustainability; and
- A thorough review of expenditures and revenues was conducted in order to identify options that would not significantly impact services levels. These reduction options are recommended in this proposed budget to maintain the 2% target above the 2005 funding level.

**Issues Referred to 2006 Operating Budget Process**

None.

**Outstanding Issues from 2005 and Prior Years**

None.

**Appendix A**

**Summary of Proposed Service Level Adjustments**

**PART III: NEW COUNCIL PRIORITIES**

**Table 5: Summary of 2006 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>						0.0	0.0			
						0.0	0.0			
						0.0	0.0			
Sub-Total Council Priorities		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Items Referred to 2006 Operating Budget:</b>										
Sub-Total Referred		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>New Program Requests:</b>										
Sub-Total New Program Requests		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total New Council Priorities</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Council Priority</b>		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 6 - Ensure housing is affordable 7 - Get the powers and funded needed for Toronto to succeed 8 - Improve the planning process 9 - Increase public involvement in civic affairs 10 - N/A								

**2006 New Council Priorities**

- There are no new Council Priorities.

**Council Priorities Referred to 2006 Operating Budget Process**

- There are no items referred to 2006 process through Committee/Council.

**2006 New Program Requests**

- There are no proposed new program request.

**Appendix B**

**Summary of New and Enhanced Services**