

Analyst Briefing Notes

Economic Development and Parks Committee

January 16, 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)	\$	\$	\$	\$	\$			\$	\$
GROSS EXP.	519.0	505.0	566.6	120.0	686.6	167.6	32.3		
REVENUE	211.1	197.1	211.1	120.0	331.1	120.0	56.8		
NET EXP.	307.9	307.9	355.5	0.0	355.5	47.6	15.5	0.0	0.0
Approved Positions	5.0	5.0	5.0	0.0	5.0	0.0	0.0		
TARGET			314.1						
\$ Over / (Under) Program Target			41.4						
% Over / (Under) Program Target			13.2%						

Executive Summary

- The 2005 projected year-end net expenditure of \$307.9 million is at the 2005 Approved Budget although revenue is \$0.014 million lower than budget and expenditures are being reduced to stay within the 2005 Approved Budget.
- The 2006 Proposed Budget for Heritage Toronto of \$0.356 million net is comprised of \$0.356 million net for Base funding and \$0 net for New Program services funding and is \$0.048 million or 15.5% higher than the 2005 Approved Budget.
- The 2006 Proposed Base Budget is \$0.041 million or 13.2 % over the 2006 target , however Heritage Toronto is requested to report back to Budget Advisory Committee identifying options for \$0.042 million in reductions in order to achieve the 2% target.
- There are no position changes proposed.
- Heritage Toronto's Base Request was \$0.041 million over the 2% target and is the result of two increases. \$0.015 million, identified in the 2006 Outlook in 2005, is required to replace a one time 2005 donation received for the Plaque and Marker program and an increase of \$0.015 million is necessary to fund fringe benefit cost increases for 4 existing staff plus \$0.017 million for a staff member now eligible for fringe benefits.

Recommendations

It is recommended that:

- (1) the Heritage Toronto 2006 Proposed Operating Budget of \$0.687 million gross and \$0.356 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Heritage Programming	276.0	52.0
Advocacy	245.1	241.9
Heritage Fund Development	165.5	61.6
	<hr/>	<hr/>
Total Program Budget	686.6	355.5
	<hr/>	<hr/>

- (2) funding of \$0.120 million and \$0 net for the Branding Process, the Heritage Symposium and the Heritage Program Enhancements be approved conditional on securing the other revenues to deliver these programs at no net cost to the City;
- (3) the Chair of Heritage Toronto report to Budget Advisory Committee in January 2006 on the options totaling \$0.041 million to meet the 2% target over the 2005 funding level; and
- (4) the Chair of Heritage Toronto report to Budget Advisory Committee, prior to the submission of the 2007 Operating Budget Request, on a revenue strategy to support current program activities that may be funded by donations and other revenue sources.

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)	\$	\$	\$	\$	%
GROSS EXP.	451.3	519.0	505.0	14.0	2.7
REVENUES	159.7	211.1	197.1	14.0	6.6
NET EXP.	291.6	307.9	307.9	0.0	0.0
Approved Positions	40.3	5.0	5.0	0.0	0.0

*Projected Actual expenditures to year-end based on 3rd Quarter Variance Report

2005 Experience

Heritage Toronto's Third Quarter projected actual expenditures of \$0.308 million is expected to be at the 2005 Approved Budget level of \$0.308 million by year-end. Projected revenues are \$0.014 million lower than the 2005 Approved Budget resulting from lower than planned third party revenue, consequently expenditures in the programs funded from this source are being reduced to stay within the 2005 Approved Net Budget.

Impact of 2005 Operating Variance on 2006 Proposed Budget

There is no impact on the 2006 Proposed Budget, arising from the Third Quarter Variance Report projection to year-end.

Section B: 2006 Proposed Base Budget

Table 3: 2006 Proposed Base Budget

(In \$000s)	2005 Approved Budget	2006 Requested Base	2006 Proposed Base	Change 2006 Proposed Base v. 2005 Approved Budget		FY Incremental Outlook	
						2007	2008
	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	519.0	566.6	566.6	47.6	9.2		
REVENUE	211.1	211.1	211.1	0.0	0.0		
NET EXP.	307.9	355.5	355.5	47.6	15.5	0.0	0.0
Approved Positions	5.0	5.0	5.0	0.0	0.0		
NET TARGET			314.1				
\$ Over / (Under) Program Target			41.4				
% Over / (Under) Program Target			13.2%				

2006 Proposed Base Budget

- The 2006 Proposed Base Budget of \$0.356 million net represents a \$0.048 million or 15.5% increase above Heritage Toronto's 2005 Approved Budget.
- The 2006 Proposed Base Budget is \$0.041 million or 13.2 % over the 2006 target, however Heritage Toronto is requested to report back to Budget Advisory Committee identifying options for \$0.042 million in reductions in order to achieve the 2% target.

2006 Key Cost Drivers

- Prior year impacts, particularly the impact of a reversal of one-time donation funding in 2005 of \$15,000 results in an incremental increase in net expenditures of \$15,000 for 2006.
- An increase of \$32,000 is proposed to fund increases in benefit costs, resulting from a staff member becoming eligible for benefits (\$17,000) as well as the increased cost of benefits for the other 4 existing staff (\$15,000).

**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)		\$	\$	\$	\$	\$
2005 Approved Operating Budget	5.0	519.0	211.1	307.9	0.0	0.0
In-year approvals and technical adjustments						
2005 Approved Operating Budget	5.0	519.0	211.1	307.9	0.0	0.0
Annualizations		15.0		15.0		
Economic factors		0.2		0.2		
Adjusted Base Budget	5.0	534.2	211.1	323.1	0.0	0.0
Other base changes		32.4		32.4		
Base revenue changes						
2006 Base Budget Request	5.0	566.6	211.1	355.5	0.0	0.0
Recommended Base Adjustments:						
Unidentified reduction to achieve Target						
Other base changes						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Proposed Base Adjustments	0.0	0.0	0.0	0.0	0.0	0.0
2006 Proposed Base Budget	5.0	566.6	211.1	355.5	0.0	0.0
2006 Program Operating Target	N/A	N/A	N/A	314.1		
% Over (Under) Program Target	N/A	N/A	N/A	13.2		
% Over (Under) 2005 Approved Budget	0.0	9.2	0.0	15.5		

Section C: 2006 Base Budget Issues**Key Issues and Recommendations****Reductions to Offset 2% Target**

Heritage Toronto has not identified service reductions to achieve the 2% target. The Program is requested to report to Budget Advisory Committee in January 2006 on options to reduce the net budget by \$41,000 to meet the 2% above 2005 funding target.

3 Year Operating Budget Overview

Heritage Toronto needs to continue with the development of a financial planning process that includes a revenue generating strategy balanced by an expenditure strategy for both Administration and Programming costs. Administration expenditures are part of the cost of programming.

The Chair of Heritage Toronto is requested to report to Budget Advisory Committee, prior to the submission of the 2007 Operating Budget Request, on a revenue strategy to support current program activities that may be funded by donations and other revenue sources.

Service Levels, Delivery, or Gap Issues

Heritage Toronto has absorbed significant increases in its salaries and wages costs by adopting the City's cost of living adjustment (COLA) increases (3%) each year without a corresponding adjustment to its revenue sources to offset the increases. Funding for administrative costs have not historically been included in its current revenue strategies. With a staff of five, merit and COLA increases continue to put pressure on Heritage Toronto's ability to stay within the 2% target.

Issues Referred to 2006 Operating Budget Process

None

Outstanding Issues from 2005 and Prior Years

None

Appendix A

Summary of Service Level Adjustments

(Not Available)

PART III: NEW COUNCIL PRIORITIES

Section D: 2006 Proposed New Council Priorities

Table 5: Summary of 2006 Proposed 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
		\$	\$	\$	\$	\$	\$	#	\$	\$
Council Priorities:										
	Sub-Total Council Priorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New Requests Referred to 2006 Operating Budget:										
	Sub-Total Referred	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New Program Requests:										
3	Communication Enhancement Strategy	14.0				14.0	0.0			
3	Branding Process	30.0				30.0	0.0			
3	Heritage Symposium	38.0				38.0	0.0			
3	Heritage Program Enhancement	38.0				38.0	0.0			
3	Plaque/Marker maintenance	15.0	15.0	15.0	15.0	0.0	0.0			
3	Communications Coordinator	61.6	61.6	61.6	61.6	0.0	0.0			
	Sub-Total New Program Requests	196.6	76.6	76.6	76.6	120.0	0.0	0.0	0.0	0.0
Total New Council Priorities		196.6	76.6	76.6	76.6	120.0	0.0	0.0	0.0	0.0
Council Priority										
1 - Improve Public Service				6 - Ensure housing is affordable						
2 - Make Progress on the Waterfront				7 - Get the powers and funding needed for Toronto to succeed						
3 - Improve Business Climate				8 - Improve the planning process						
4 - Make Toronto a clean and beautiful city				9 - Increase public involvement in civic affairs						
5 - Strengthen our at-risk neighbourhoods				10 - N/A						

Key Issues and Recommendations***2006 Proposed New Program Requests:***

The following four initiatives are proposed since they all are self financed by funds generated by each respective initiative. The funds for these initiatives may come from corporate sponsorship, donations, fees and other sources of revenue, depending on the specifics of each initiative. Heritage Toronto has a policy requiring full receipt or pledge of third party funding for programs 90 days prior to the commencement of the program and that all expenditures be identified and incorporated into the budget by that time.

- **Communication Enhancement Initiative**

This \$14,000 request is to improve the size and scope of the agency's communications through enhanced appearance and size of quarterly newsletters and to introduce enhanced capacity for the HT website. \$14,000 gross and zero net is proposed to be added to the 2006 Operating Budget, on a one time basis, with spending conditional upon the receipt of third party funds.

- **Branding Process**

The creation of a standard brand will improve public recognition of Heritage Toronto and its activities plus encourage coordinated approaches to all activities. The increased public recognition of Heritage Toronto, its programs and activities will strengthen the level of support for heritage revenue generation in Toronto. \$30,000 gross and zero net is proposed to be added to the 2006 Operating Budget, on a one time basis, with spending conditional upon the receipt of third party funds.

- **Heritage Symposium**

The Heritage Symposium will be a "home show" event which will provide an opportunity for the public to learn technical information useful in the restoration and maintenance of heritage buildings and furnishings within a single setting. It will bring vendors and experts together with property owners and heritage enthusiasts. \$38,000 gross and zero net is proposed to be added to the 2006 Operating Budget, on a one time basis, with spending conditional upon the receipt of third party funds.

- **Heritage Program Enhancements**

Two new programs: enhanced exhibit activities at the Kilbourn Lecture and the expansion of the training for Heritage Toronto walking tour volunteers will enhance the quality and scope of heritage programming through organizations in Toronto. \$38,000 gross and zero net is proposed to be added to the 2006 Operating Budget, on a one time basis, with spending conditional upon the receipt of third party funds.

New Initiatives Not Proposed

- **Plaque/marker maintenance**

\$15,000 gross and net is requested to create an on-going maintenance and refurbishment program for the 300 - 400 plaques and markers that pre-date amalgamation (2000). Funding for this request is not proposed.

- **Communications Coordinator Position**

\$62,000 gross and net is requested to appoint a full-time Communications Coordinator to oversee all communication activities including newsletter production, news releases, promotional pieces as well as to organize special events. Funding for this request is not proposed.

New Requests Referred to 2006 Operating Budget Process

None

Appendix B

Summary of Council Priority Services and New Service Requests