

Analyst Briefing Notes

Planning and Transportation Committee (January 9, 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.	27,387.1	26,587.1	28,942.0	247.5	29,189.5	1,802.4	6.6		
REVENUE	22,900.8	20,885.3	23,880.8	400.0	24,280.8	1,380.0	6.0		
NET EXP.	4,486.3	5,701.8	5,061.2	(152.5)	4,908.7	422.4	9.4	0.0	0.0
Approved Positions	315.0	315.0	317.0	3.0	320.0	5.0	1.6		
TARGET			4,576.0						
\$ Over / (Under) Program Target			485.2						
% Over / (Under) Program Target			10.6%						

Executive Summary

- The 2005 projected year-end gross expenditure of \$26.587 million is under the 2005 Approved Budget of \$27.387 million by \$0.800 million. The projected under expenditure is due to a strategy to offset some of the revenue shortfall associated cost recovery of licensing fees.
- The 2005 projected year-end revenue of \$20.885 million is under the 2005 Approved Budget of \$22.901 million by \$2.016 million. The projected decrease in revenue is due to a shortfall in cost recovery of licensing fees.
- The 2005 projected year-end net expenditure of \$5.702 million is over the 2005 Approved Budget of \$4.486 million by \$1.216 million due to the revenue shortfall mentioned above.
- City Council at its meeting of October 26, 27 and 28, 2005, approved the report from the Executive Director of Municipal Licensing and Standards, *Review of Business Licensing Fees*, increasing the licensing fees to offset the shortfall associated with cost recovery of licensing fees. The licensing fees were raised on November 1, 2005, resulting in revenues to increase by \$0.5 million for the remainder of 2005 and by an additional incremental amount of \$2.5 million in 2006, thereby eliminating the revenue shortfall and achieving full cost recovery in 2006.
- The 2006 Proposed Operating Budget for Municipal Licensing and Standards is \$29.190 million gross, \$24.281 million revenue, and \$4.909 million net, and is 9.4% higher than the net 2005 Approved Budget.

- The 2006 Proposed Operating Budget includes funding of \$0.248 million and 3 positions for one New Program Request. The new request was submitted as a result of Council's (May 17-19, 2005) approved establishment of a new licensing category "Livery Service Company" which will allow the regulation of the livery industry and provide distinct and enforceable differences between taxicabs and livery vehicles. The new request results in a net revenue impact and is proposed.
- Key cost drivers in the 2006 Proposed Operating Budget include cost of living adjustments, merit and step increases, fringe benefits, and annualizations from in-year 2005 Council approvals such as the annualized impact of 4 Municipal Standards Officers for A-Frame Signs and 1 BIA Officer resulting in gross expenditures of \$0.377 million. These expenditures are offset by matching revenues from A-Frame Signs and the BIA respectively, resulting in a net zero impact to the 2006 Proposed Budget.

Recommendations

It is recommended that:

- (1) the Municipal Licensing and Standards’ 2006 Proposed Operating Budget of \$29.190 million gross and \$4.909 million net, comprised of the following service, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000's)</u>	<u>Net</u> <u>(\$000's)</u>
Municipal Licensing and Standards	29,189.5	4,908.7
Total Program Budget	<u>29,189.5</u>	<u>4,908.7</u>

- (2) the Deputy City Manager responsible for Municipal Licensing and Standards report to the Budget Advisory Committee in January 2006 on the potential for the recovery of sign permits and variance enforcement costs in accordance with the Sign By-law;
- (3) the Executive Director of Municipal Licensing and Standards report back to the Budget Advisory Committee in February 2006 addressing the potential service efficiencies arising from the consolidation of Municipal Licensing and Standards services at East York Civic Center;
- (4) the funding for the 2 new requests for the by-law enforcement component of “Multi-Unit Residential Waste Reduction Levy” and “Mandatory Waste Diversion By-Law of Single Family Residences” be deferred for consideration with the 2007 Operating Budget process, and that the Deputy City Manager responsible for Solid Waste Management Services report back to the Works Committee by June 2006, on the coordination, implementation, and timing for the introduction of by-law enforcement of waste collection activities in the most effective and efficient way possible given existing available resources;
- (5) the 2006 Operating Budget for the Solid Waste Management Services by-law enforcement component, once approved, be transferred to the Municipal Licensing & Standards Division;
- (6) the Deputy City Manager responsible for Solid Waste Management Services and the Municipal Licensing & Standards Division report back to the Works Committee and the Planning & Transportation Committee prior to the start of the 2007 budget process with a proposal for the transfer of the total integrated by-law enforcement component from Solid Waste Management Services to the Municipal Licensing & Standards Division;
- (7) the Deputy City Manger responsible for Municipal Licensing and Standards, continue to review functions within Municipal Licensing and Standards, Building Services, and City Planning to find ways to integrate initiatives and report back prior to the 2007 budget process on any resultant savings and service improvements realized; and

- (8) the Executive Director of Municipal Licensing and Standards monitor enforcement costs of licenses and report back to the Budget Advisory Committee prior to the 2007 budget addressing whether the licensing fee increase was sufficient to address 100% cost recovery for enforcement, as authorized under the Municipal Act.

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.	23,822.5	27,387.1	26,587.1	(800.0)	(2.9)
REVENUES	16,307.4	22,900.8	20,885.3	(2,015.5)	(8.8)
NET EXP.	7,515.1	4,486.3	5,701.8	1,215.5	27.1
Approved Positions	298.0	315.0	315.0	0.0	0.0

*Projected actual expenditures and revenues to year-end are based on the Revised 3rd Quarter Variance Report, to include cost of living adjustment impact.

2005 Experience

- The 2005 projected year-end gross expenditure of \$26.587 million is under the 2005 Approved Budget of \$27.387 million by \$0.800 million. The projected under expenditure is due to a strategy to offset some of the revenue shortfall associated cost recovery of licensing fees.
- The 2005 projected year-end revenue of \$20.885 million is under the 2005 Approved Budget of \$22.901 million by \$2.016 million. The projected decrease in revenue is due to a shortfall in cost recovery of licensing fees.
- The 2005 projected year-end net expenditure of \$5.702 million is over the 2005 Approved Budget of \$4.486 million by \$1.216 million due to the revenue shortfall mentioned above.
- City Council at its meeting of October 26, 27 and 28, 2005, approved the report from the Executive Director of Municipal Licensing and Standards, *Review of Business Licensing Fees*, increasing the licensing fees to offset the shortfall associated with cost recovery of licensing fees. The licensing fees were raised on November 1, 2005, resulting in revenues to increase by \$0.5 million for the remainder of 2005 and by an additional incremental amount of \$2.5 million in 2006, thereby eliminating the revenue shortfall and achieving full cost recovery in 2006.

Impact of 2005 Operating Variance on 2006 Proposed Budget

- The incremental impact of increasing fees by \$2.5 million in 2006 from Council's adoption of the staff report *Review of Business Licensing Fees* mentioned above, has been included in the 2006 Proposed Budget.

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)	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	27,387.1	29,328.9	28,942.0	1,554.9	5.7	0.0	0.0
REVENUE	22,900.8	23,880.8	23,880.8	980.0	4.3	0.0	0.0
NET EXP.	4,486.3	5,448.1	5,061.2	574.9	12.8	0.0	0.0
Approved Positions	315.0	318.0	317.0	2.0	0.6	0.0	0.0
NET TARGET		4,576.0					
\$ Over / (Under) Program Target		485.2					
% Over / (Under) Program Target		10.6%					

2006 Proposed Base Budget

- The 2006 Proposed Base Budget of \$5.061 million net represents a 12.8% increase over Municipal Licensing and Standards’ 2005 Approved Budget.
- Municipal Licensing and Standards’ 2006 Proposed Base Budget is \$0.485 million over its target of \$4.576 million.
- To alleviate some of this expenditure impact, the 2006 Proposed Base Budget incorporates proposed reductions of \$0.387 million resulting in a minor service impact. Any additional reductions would result in major service reductions, and therefore, are not proposed.

2006 Key Cost Drivers

- Cost-of-living adjustments (COLA) that average 3% for 2006 are non-discretionary expenditures that result in additional costs of \$0.612 million.
- Merit and Step Increases total \$0.297 million.
- Fringe Benefits for 2006 total \$0.596 million.
- Prior year impacts include the annualized impact of 4 Municipal Standards Officers for A-Frame Signs and 1 BIA Officer resulting in gross expenditures of \$0.377 million. These expenditures are offset by matching revenues from A-Frame Signs and the BIA respectively, resulting in a net zero impact to the 2006 Proposed Budget.

**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	314.0	26,928.4	22,822.6	4,105.8	0.0	0.0
In-year approvals and technical adjustments	1.0	458.7	78.2	380.5		
2005 Approved Operating Budget	315.0	27,387.1	22,900.8	4,486.3	0.0	0.0
Annualizations	3.0	1,307.5	531.8	775.7		
Economic factors		611.5	448.2	163.3		
Adjusted Base Budget	318.0	29,306.1	23,880.8	5,425.3	0.0	0.0
Other base changes		22.8		22.8		
Base revenue changes						
2006 Base Budget Request	318.0	29,328.9	23,880.8	5,448.1	0.0	0.0
Recommended Base Adjustments:						
Other base changes						
Service efficiencies		(40.9)		(40.9)		
Revenue adjustments						
Minor service impact	(1.0)	(192.0)		(192.0)		
Major service impact		(154.0)		(154.0)		
Total Proposed Base Adjustments	(1.0)	(386.9)	0.0	(386.9)	0.0	0.0
2006 Proposed Base Budget	317.0	28,942.0	23,880.8	5,061.2	0.0	0.0
2006 Program Operating Target	N/A	N/A	N/A	4,576.0		
% Over (Under) Program Target	N/A	N/A	N/A	10.6		
% Over (Under) 2005 Approved Budget	0.6	5.7	4.3	12.8		

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

Three minor service level changes include:

- Municipal Licensing and Standards has proposed a general program reduction in the amount of \$0.041 million in interdepartmental charges or transfers to other Divisions for services related to Police Checks, Ambulance, and Training in its base budget to reflect actual needs for the Division.
- The reduction of one vacant permanent position for Investigation of Noise Complaints Related to Neighborhood Issues will not impact service. The full year impact for the position is reflected as a reduction in 2006. St Stephens conflict resolution and similar organizations have proposed to provide conflict resolution for the residential noise related complaints. If a satisfactory resolution is not obtained, the issue will revert for appropriate enforcement by Municipal Licensing and Standards.
- Savings in the amount of \$0.154 million associated with Normalizing of Pilot Project have been identified by the Program to better meet its objective to resolve the long standing issues of bachelorette and room house conversion in Parkdale. The workload will be reorganized and integrated back into the general investigation program. An enforcement and owner's strategy will be implemented to deal with those properties which do not apprise themselves of the program.
- Collectively, the changes will generate base savings of \$0.387 million without unduly compromising current services and are proposed.

*Revenue Changes***1) Incremental Revenue**

At its meeting on October 26-28, 2005, City Council adopted the report from the Executive Director of Municipal Licensing and Standards, *Review of Business Licensing Fees*, addressing a licensing strategy to deal with illegal body rub activity in licensed premises and costs associated with the support provided to the Municipal Licensing and Standards by Legal Services as they relate to licensing matters. The report recommends increases to business licensing fees to offset current enforcement and legal costs. Since the report recommendations were implemented on November 1, 2005, revenues in 2005 are projected to increase by \$0.5 million and incremental revenue of \$2.5 million in 2006, thereby eliminating the revenue shortfall and achieving full cost recovery in 2006.

Incremental revenue of \$2.550 million has been included in the 2006 Proposed Base Budget. It is recommended that the Executive Director of Municipal Licensing and Standards monitor enforcement costs of licenses and report back to the Budget Advisory Committee prior to the 2007 budget addressing whether the licensing fee increase was sufficient to address 100% cost recovery for enforcement, as authorized under the Municipal Act.

2) Licensing Fee Increases for 100% Cost Recovery & Renewal Date Distribution

City Council, at its meeting on June 22-24, 2004 approved the redistribution of license renewals from an annual renewal date for each license category to the renewal of each license on the anniversary date of its issuance. To implement the transition, some licenses in 2004 and 2005 were renewed for periods greater or less than 12 months, and fees prorated therein. The cumulative effect of realigned renewal dates condensed revenue from 2004 and 2006 into 2005, generating an approximate \$1.9 million. The renewal date distribution was one-time only, and will not reoccur in 2006. Revenue in the 2006 Proposed Base Budget reflects anticipated licensing fee renewals for 2006. It is projected to take two years to determine the trend associated with the realignment of renewal dates. Staff are monitoring the situation closely.

3) Sign Permit Revenue

The 2006 Base Budget includes funds to develop a new Sign By-Law, specifically content changes to the By-Law under City Planning Division, approvals and issuance of permits under the Building Division, and enforcement under Municipal Licensing and Standards Division. A review of the current Sign By-law is underway. It is recommended that the Deputy City Manager responsible for Municipal Licensing and Standards report to the Budget Advisory Committee in January 2006 on the potential for the recovery of sign permits and variance enforcement costs in accordance with the Sign By-law.

4) Consumer Price Index (CPI)

Council, on September 11, 2003 amended the Toronto Municipal Code, Chapter 545, to include a provision which increases all fees relating to licensing fees, business trades licensing fees taxes and mobile businesses effective January 1st of each calendar year based on the percentage increase on the All Items Index for the Toronto area. A Consumer Price Index (CPI) increase of 2% on licensing fees has been included in the 2006 Base Budget.

3 Year Operating Budget Overview

The 3 Year Budget is consistent with Council's priority to Improve the Business Climate which the Municipal Licensing and Standards Division does by coordinating investigation and enforcement activities across property and program jurisdictions, including intake, information sharing technology, facilities and equipment sharing, developing consistent training, operating protocols of service delivery, performance measurement, prosecution/tribunal processes, licensing and permitting.

In 2006, Municipal Licensing and Standards is over the 2% target by \$0.485 million due to the fact that additional efficiencies could not be found without significantly impacting service. Staff are reviewing integrated enforcement initiatives for efficiencies and service improvements to meet the 0% target in years 2007 and 2008.

*Service Levels, Delivery, or Gap Issues***Integrated Enforcement**

A review is underway that is looking at integrated enforcement functions based on the Clean and Beautiful City Pilot, and various enforcement initiatives such as those highlighted on the new requests will be reviewed to determine their ability to be integrated into general enforcement teams that are “multifunctional” and not spearheaded to one-type of by-law enforcing it. The strategy could result in both savings from efficiencies as well as service improvements. The integration of functions within the cluster is a viable method of finding efficiencies without compromising on service. It is recommended that the Deputy City Manager responsible for Municipal Licensing and Standards, continue to review functions within Municipal Licensing and Standards, Building Services, and City Planning to find ways to integrate initiatives and report back prior to the 2007 budget process on any resultant savings and service improvements realized.

Issues Referred to 2006 Operating Budget Process

There are no outstanding issues referred to the 2006 Budget Process.

Outstanding Issues from 2005 and Prior Years

- 1) The transfer of the by-law enforcement team from Solid Waste Management Services to the Municipal Licensing and Standards Division remains outstanding. The Program will be making the transfer of the 2006 Operating Budget for Solid Waste Management Services by-law enforcement to the Municipal Licensing & Standards Division, subsequent to Council approval of the 2006 Operating Budget.
- 2) During the 2005 budget process, Council requested that the Commissioner of Urban Development Services address potential service efficiencies in the 2006 Operating Budget submission arising from the consolidation of Municipal Licensing and Standards services at East York Civic Center.

Due to the delay in MFP hearings in 2005, the move to East York Civic Center is scheduled to take place in 2006. At this time, no efficiencies have been identified. It is recommended that the Executive Director of Municipal Licensing and Standards report back to the Budget Advisory Committee in February 2006 addressing the potential service efficiencies arising from the consolidation of Municipal Licensing and Standards services at East York Civic Center.

Appendix A

Summary of Service Level Adjustments

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
		\$	\$	\$	\$	\$	\$	#	\$	\$
4	Council Priorities: Clean City Integrated Enforcement Team	425.0	425.0	425.0	425.0					
	Sub-Total Council Priorities	425.0	425.0	425.0	425.0					
	New Rquests Referred to 2006 Operating Budget: None									
	Sub-Total Referred									
	New Program Requests:									
3	Increase in Policy Development Capacity	400.5		400.5						
3	Licesing By-law Review-Food and Entertainment Activities	100.0	100.0	100.0	100.0					
3	Licensing of Livery Vehicles in the City of Toronto	247.5	(152.5)			247.5	(152.5)	3.0		
	Sub-Total New Program Requests	748.0	(52.5)	500.5	100.0					
	Total New Council Priorities	1,173.0	372.5	925.5	525.0					
Council Priority		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 Program Requests***

Due to budgetary restrictions, funding for new and enhanced services is strictly limited in 2006 to those requests which support Council's highest priorities (i.e. "Clean and Beautiful City", 3-1-1 Customer Service Strategy, Neighbourhoods at Risk and Year of Creativity).

For 2006, the Program is requesting 4 new and enhanced services of which 1 request falls under Council's priority for a "Clean & Beautiful City", and 3 requests are for "Improving the Business Climate".

Of the new requests, the following is proposed:

1) Licensing of Livery Vehicles in the City of Toronto

At its meeting on May 17-19, 2005, City Council approved the establishment of a new licensing category "Livery Service Company" which will allow the regulation of the livery industry and provide distinct and enforceable differences between taxicabs and livery vehicles. Approval was also given for a staffing complement of three Municipal Standards Officers and one time start up costs totaling \$0.247 million, to be offset by \$0.400 million in revenue, resulting in new net revenue of \$0.153 million. These expenditures and revenues have been included in Municipal Licensing and Standards 2006 Operating Budget as new request and is proposed as it has a net revenue impact.

Of the new requests, the following are not proposed:

2) Increase in Policy Development Capacity

Due to budgetary restrictions in 2006, all recommended new program proposals are to be restricted to items that are fully funded. The request for policy development capacity will result in a net zero impact only if licensing fees are raised to offset the cost. Because licensing fees have been raised already this year, this request is not proposed.

3) Licensing By -Law Review of Food and Entertainment Activities

The request of \$0.100 million gross and net for six months of funding for two temporary positions to undertake a broad study of licensing requirements of all facilities that provide food and entertainment. Council referred the issue to the 2006 Budget Process. Staff reported on the amendments to the proposed By-Law in November that provide some interim regulations to address the concerns. Due to budgetary constraints, this request is not proposed.

4) Clean City Integrated Enforcement Team

The request of \$0.425 million gross and net for the Clean City Integrated Enforcement team refers to Council's priority for a Clean and Beautiful City. However, this request is beyond the scope of Council's approved *Action Plan* and is not proposed.

The following request has been included in the Solid Waste Management Services Budget:

Enforcement of mandatory waste diversion by-law (Single family residences)

Works Committee at its meeting of June 29, 2005 referred Works Committee Report 7 Clause 16(c) "Enforcement of Mandatory Waste Diversion By-Laws for Single Family" to the Budget Advisory Committee for consideration during the 2006 budget process. The original funding request of \$0.806 million was to be used to hire six By-Law Enforcement Officers and one administrative support person, as well as funds for vehicle related costs.

The approved report recommended the hiring of six Bylaw Enforcement Officers. Solid Waste Management Services has further reviewed the requirements and revised their funding request for only four Bylaw Enforcement Officers in 2006. Staff will review the need for additional Bylaw Enforcement Officers during the year and if a need arises, the positions will be requested through the 2007 Operating Budget process.

It has been proposed that the enforcement of this by-law and the associated budget be transferred from Solid Waste Management Services to the Municipal Licensing and Standards Division as part of the transfer of a combined by-law enforcement team. The Program submitted a new request for \$0.359 million net funding and 5 positions in 2006, and \$0.252 million net funding and 2 positions in 2007.

It is recommended that the funding be deferred to 2007 due to financial constraints and that the Deputy City Manager responsible for Solid Waste Management Services report back prior to the start of the 2007 budget process to the Works Committee on a proposal for a coordinated, cost-effective, and efficient strategy for implementation.

Appendix B

Summary of Council Priority Services and New Service Requests