

Analyst Briefing Notes
Budget Committee
(March 26, 2007)

2007 OPERATING BUDGET

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2007 OPERATING BUDGET**Executive Summary**

- The City Clerk's Office's preliminary year-end actual net expenditures are \$30.444 million, which is \$0.153 million or 0.5% below the 2006 Approved Budget. The under spending of \$1.637 million in gross expenditures is due to savings in salaries and benefits resulting from the organizational review in the Secretariat, less than anticipated staffing requirements for the Municipal Election, and delays in filling certain positions. The shortfall in revenues of \$1.485 million is attributed to lower business demand for printing and distribution, and reduced withdrawal from the Election Reserve Fund for the 2006 Municipal Election.
 - The 2006 under spending in gross expenditures and revenues decrease are not expected to recur in 2007.
- The 3-Year Operating Budget will enable the City Clerk's Office to provide accessible, accountable, and available government for the City of Toronto. The City Clerk's Office supports the governance structure and legislative process and operations of City Council, Community Councils, and Committees, conducts municipal elections, manages freedom of information and privacy, and provides protocol services. The Program also manages the registration of births and deaths, issuance of marriage licenses, burial permits, and gaming and lottery licensing, and the assessment roll. In addition, the City Clerk's Office delivers critical corporate services that include corporate records and information management, archives, printing, distribution and mail services.
 - The challenges are driven by the impact of the City of Toronto Act and the City's new governance structure which will affect the operation and business requirements of the City Clerk's Office. The full impact is still largely unknown at this point. The increase in the number of Standing Committees and the expected increased frequency of committee meetings, as well as new harmonized polling service, new procedures, accountability and planning requirements will place significant pressure on the Program to maintain current service levels.
- The 2007 Recommended Operating Budget of \$31.400 million net is 2.6% over the 2007 target, and is comprised of \$31.400 million net for base funding and \$0 million net for a new/enhanced service priority.
 - The 2008 and 2009 incremental net increase of \$1.590 million or 5.2% and \$0.714 million or 2.3% respectively includes ongoing cost of living allowance (COLA) in 2008 only, merit and step changes, an additional work day in 2008 (leap year), and operating impacts of capital. The 2009 incremental outlook does not include COLA, as the increase is subject to future negotiations.

Table 1: 2007 Recommended Budget

	2006		2007 Recommended Operating Budget			Change 2007 Recommended from 2006 Budget		FY Incremental Outlook	
	2006 Appvd. Budget	2006 Projected Actual	2007 Base	2007 New /Enhanced	2007 Operating Budget			2008	2009
	\$	\$	\$	\$	\$			%	\$
(In \$000s)									
GROSS EXP.	48,655.3	47,018.1	44,259.7	41.5	44,301.2	(4,354.1)	(8.9)	1,590.2	714.3
REVENUE	18,058.8	16,574.2	12,859.7	41.5	12,901.2	(5,157.6)	(28.6)	0.0	0.0
NET EXP.	30,596.5	30,443.9	31,400.0	0.0	31,400.0	803.5	0.0	1,590.2	714.3
Approved Positions	380.8	380.8	375.0	0.0	375.0	(5.8)	(1.5)	(3.0)	0.0
TARGET			30,596.5		30,596.5				
\$ Over / (Under) Program Target			803.5		803.5				
% Over / (Under) Program Target			2.6%		2.6%				

- The 2007 Recommended Operating Budget of \$31.400 million net is 2.6% over the 2007 target, and is comprised of \$31.400 million net for base funding and \$0 million net for a new/enhanced service priority.
 - The 2008 and 2009 incremental net increase of \$1.590 million or 5.2% and \$0.714 million or 2.3% respectively includes ongoing cost of living allowance (COLA) in 2008 only, merit and step changes, an additional work day in 2008 (leap year), and operating impacts of capital. The 2009 incremental outlook does not include COLA, as the increase is subject to future negotiations.
- The 2007 Recommended Base Budget is \$31.400 million net or 2.6% increase over the 2007 target. The base budget includes service efficiencies of \$0.613 million resulting from better alignment of the budget with actual expenditures for salaries and benefits, facilities maintenance, materials and supplies, and savings resulting from improved business processes.
 - 2007 Key Cost drivers include collective agreement increases for COLA, merit and step, an additional working day in 2007 for staff, and inflationary increases.
- The 2007 Recommended Operating Budget for New/Enhanced Services is \$0.041 million gross, and \$0 million net for the harmonized polling services approved by City Council at its meetings of April 25, 26 and 27, 2006 to ensure that harmonized polling is conducted fairly and objectively.

Recommendations

The City Manager and Chief Financial Officer recommend that:

- the 2007 Recommended Operating Budget for the City Clerk's Office of \$44.301 million gross and \$31.400 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Secretariat	7,728.9	7,556.7
Records and Information Management	21,273.5	9,291.0
Council and Support Services	4,459.2	4,031.4
Corporate Access and Privacy	1,503.9	1,453.9
Elections and Registry Services	7,840.5	7,571.9
Protocol	<u>1,495.3</u>	<u>1,495.3</u>
 Total Program Budget	 <u>44,301.3</u>	 <u>31,400.2</u>

Section A: 2006 Budget Variance Analysis

Table 2: 2006 Budget Variance Review

(In \$000s)	2005 Actuals	2006 Approved Budget	2006 Projected Actuals*	2006 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	40,837.9	48,655.3	47,018.1	(1,637.2)	(3.4)
REVENUES	20,930.8	18,058.8	16,574.2	(1,484.6)	(8.2)
NET EXP.	19,907.1	30,596.5	30,443.9	(152.6)	(0.5)
Approved Positions	382.0	380.8	380.8	0.0	0.0

*Projected Actual based on the preliminary Year-end Operating Variance Report

**2006 Budget reflects (a) election event budget, (b) budget transfer of the Registry, Gaming and Contract Election revenues to Non-Program to insulate the City Clerk's Office budget from market fluctuations, and (c) budget transfer from Finance and Administration.

2006 Experience

The City Clerk’s Office’s preliminary year-end net expenditures are \$0.153 million or 0.5% below budget. The under spending of \$1.637 million in gross expenditures is due to savings in salaries and benefits resulting from the organizational review in the Secretariat, the delay in filling certain positions; and less than anticipated staffing requirements for the 2006 Municipal Election event. In addition, the hiring of temporary staff to manage the workload was achieved at lower rates of wages and salaries. The shortfall in revenues of \$1.485 million is attributed primarily to lower than expected demand for printing and distribution services from City Programs, Agencies and Boards. In addition, the cost to conduct the 2006 Election was lower than anticipated, and consequently, less funding was required from the Election Reserve Fund.

Impact of 2006 Operating Variance on 2007 Recommended Budget

There is no impact of the 2006 operating variance on the 2007 Recommended Budget. The under-spending in gross expenditures and lower revenue receipts in 2006 as a result of the Election are not expected to recur in 2007.

Section B: 2007 Operating Budget Overview**3-Year Operating Budget Overview**

The 2007 Recommended Budget and the 2008 and 2009 Outlook for the City Clerk's Office will enable the Program to:

- Provide budgetary, administrative and information technology support to the City Clerk's Office, Mayor's Office, Councillors' offices and the Office of the Integrity Commissioner.
- Manage the legislative process of City Council, the Standing Committees, Community Councils, and other deliberative bodies, including the appointment process for Members of Council and citizens to these bodies, as well as by-law management.
- Provide City printing, document reproduction and distribution services as Printer and Copier of Record.
- Provide direct front line services to the public, including access to and maintenance of the assessment roll, birth and death registrations, the issuance of marriage licenses, burial permits, lottery licenses, intake of municipal clearance for liquor licenses, provision of travel letters, and administration of wedding chamber booking.
- Administer harmonized polling for City divisions on traffic calming, Business Improvement Areas, permit parking, front pad parking, alternate side parking and boulevard cafes.
- Develop and administer charitable gaming and lottery licensing and compliance programs.
- Develop and administer corporate strategies, policies standards, and services in lifecycle records and information management. Identify, select, describe, and preserve archival records of enduring value.
- Develop and implement corporate programs to comply with the Municipal Freedom of Information and Protection of Privacy Act.
- Manage the City's Protocol services; organize official visits, ceremonies, awards and recognition programs; produce scrolls, proclamations, greetings and correspondence for the Mayor and Council.
- Administer the conduct of Municipal elections as well as by-elections for positions on City Council and the City's School Boards.
- Enhance service levels to advance the Mayor's mandate on civic engagement.
- Undertake a comprehensive review of the 2006 election, including voters' list.
- Substantially complete the Meeting Management Initiative.

The 2008 Outlook net increase of \$1.590 million is the result of collective agreements for COLA, merit and step changes, inflationary increases and operating impacts of capital, and \$0.714 million in the 2009 Outlook excludes COLA because it will be subject to future negotiations.

Service Delivery - Challenges and Issues

The emerging challenges and opportunities facing the City Clerk's Office are reflected in 2007 as a year in transition due to the new City of Toronto Act and the City's new governance structure, accompanied by new procedures, a new accountability framework, and delegated decision making to Community Councils. In addition, the various services of the City Clerk's Office have the following operational and delivery issues:

Corporate Access and Privacy

- Significant increase in volume of access requests with this trend expected to continue.
- Growing demand from City Programs for training on access and privacy.
- Threats of emerging technological devices to privacy and security of information – need to ensure staff awareness to minimize substantial risks.

Council and Support Services

- Ongoing demand for services to Councillors.
- Changing corporate environment related to financial, purchasing, human resources policies and procedures.
- The pending IT Governance and Transformation project may lead to changes in the IT service area for Council and Support services.

Elections and Registry Services

- Preparing for impact of the implementation of the Ontario Vital Statistics Improvement Project to upload birth and death registrations.
- Proposed changes to the Alcohol and Gaming Commission of Ontario Order in Council and Bingo Revenue Model to be implemented in May 2007 will have significant operational impact.
- Ability to address impacts of the next phase of electronic bingo.
- Provide harmonized polling.
- Undertake Joint Service Counter project – co-location counter with Service Canada, and Service Ontario with no resources to support initiative.
- Undertake comprehensive elections review.

Protocol

- Service demands have increased by 35% over the past 8 years.
- Increased complexity of the events and document requests require more research to ensure the integrity of the Mayor, Members of Council, and the City of Toronto.
- Significant pressure to respond quickly (sometimes immediately) to all enquiries and requests received.

Records and Information Management

- Revise service delivery model of records management to provide service to all divisions across the City, within current resources.
- Develop and apply classification codes and retention schedules to the City's records in accordance with the Records Retention By-Law.
- Implement a proof of concept program for protecting vital records to further the development of a corporate Vital Records program.
- Preserve and digitize archival records.
- Build service capacity to meet future service requirements in Printing and Distribution.

Secretariat

- A number of recent changes to the Toronto Government decision-making structure are influencing Secretariat services, including:
 - New legislative regime under the City of Toronto Act.
 - Recent changes to the Toronto governance structure.
 - Adoption and implementation of the new procedures by-law.
 - New Planning Act requirements. (additional public notice)
 - Meeting Management Initiative implementation, including clear language reporting, and training, meeting room modifications, and introduction of a new information management system.
- Increasing demand from the public for different and effective public engagement opportunities.

The above represents the pressures facing the City Clerk's Office in meeting present and future City governance, service delivery and information management requirements.

Section C: 2007 Recommended Base Budget

Table 3: 2007 Recommended Base Budget

(In \$000s)	2006 Appvd. Budget	2007 Recommended Base	Change		FY Incremental Outlook	
			2007 Recommended Base v. 2006 Appvd. Budget		2008	2009
	\$	\$	\$	%	\$	\$
GROSS EXP.	48,655.3	44,259.7	(4,395.6)	(9.0)	1,590.2	714.3
REVENUE	18,058.8	12,859.7	(5,199.1)	(28.8)		
NET EXP.	30,596.5	31,400.0	803.5	2.6	1,590.2	714.3
Approved Positions	380.8	375.0	(5.8)	(1.5)	(3.0)	
NET TARGET		30,596.5			NA	NA
\$ Over / (Under) Program Target		803.5			NA	NA
% Over / (Under) Program Target		2.6%			NA	NA

2007 Recommended Base Budget

The 2007 Recommended Base Budget of \$31.400 million net represents a 2.6% increase over the City Clerk’s Office’s 2006 Approved Base Budget.

- In a year when an election takes place, the full cost of the election is budgeted in the City Clerk’s Office’s Operating Budget, which is largely funded from the Election Reserve Fund. The subsequent year’s operating budget will show a reversal of Election expenditure levels and reserve funding from the Election Reserve Fund. In 2007, the gross expenditures and contribution totaling \$4.180 million from the Election Reserve Fund have been reversed.
- The additional \$0.804 million net increase in expenditures in the 2007 Recommended Budget is needed to fund COLA, merit and step increases, and inflationary increases.

The 2007 Recommended Base Budget includes the following cost reductions without impacting service levels resulting from efficiencies and rationalizations that total \$0.613 million, as follows:

- A reduction of \$0.257 million in salaries and benefits as a result of aligning the salary budget to actual requirements.
- A reduction of \$0.065 million in maintenance of facilities, as a result of aligning the budget for facilities maintenance to actual spending based on actual costs of the last three years.
- A cost savings of \$0.125 million for the Election Vote Tabulator Maintenance, as a result of a successful renegotiation of contract terms with the service provider.
- A reduction of \$0.045 million in Overtime Budget as a result of an improvement to business processes that is expected to reduce overtime requirement.

- A reduction of \$0.080 million for Materials and Supplies as a result of a more conscious effort to control spending for materials and supplies.
- A cost saving of \$0.041 million as a result of business process changes and improvements that will see cost reductions for maintenance and equipment rental fees in Records and Information Management.

2007 Key Cost Drivers

2007 key cost drivers include:

- Cost-of-living adjustments (COLA) that average 3.25% for 2007 are non-discretionary expenditures that result in additional costs of \$0.865 million.
- Merit and step increases of \$0.545 million.
- One additional working day in 2007 for union staff of \$0.065 million.
- Inflationary increases on non-salary expenditures of \$0.053 million

2008 and 2009 Outlook: Net Incremental Impact

The 2008 Outlook net increase of \$1.590 million or 5.2% over 2007 Recommended Net Operating Budget incorporates mandatory COLA salary increases arising from collective agreements, merit and step changes, inflationary increases, and operating impacts of capital related to maintenance and support costs arising from the Council Vital Records, and Meeting Management Initiatives. The 2009 Outlook net increase of \$0.714 million or 2.3% over 2008 excludes COLA.

Section D: 2007 Recommended Service Priorities

Table 4: Summary of 2007 New / Enhanced Service Priorities (In \$000s)

Description	2007 Recommended		Rec. New Positions	Net Incremental Impact	
	Gross Exp.	Net Exp.		2008	2009
	\$	\$	#	\$	\$
(a) Enhanced Services Priorities - Council Approved:					
(b) Enhanced Services Priorities - Program Initiated:					
Sub-Total Enhanced Services	0.0	0.0	0.0	0.0	0.0
(a) New Service Priorities - Council Approved: Polling Harmonization	41.5	0.0			
(b) New Service Priorities - Program Initiated:					
Sub-Total New Service Priorities	41.5	0.0	0.0	0.0	0.0
Total Recommended New / Enhanced Service Priorities	41.5	0.0	0	0.0	0.0

2007 Recommended Service Priorities

New Service Priorities – Council Approved:

- **Polling Harmonization**

At its meetings of April 25, 26 and 27, 2006, City Council adopted the report entitled “Overview of Past Polling Practices and Recommendation for Future Polling Procedures” that resulted in an initiative to ensure that polling in Toronto is harmonized and is conducted with a fair methodology where all property owners, tenants and residents are afforded equal rights.

Accordingly, the City Clerk’s Office will conduct harmonized polling in accordance with a new Polling and Notification by-law enacted by City Council in 2006 under which the City Clerk’s Office shall receive a request for polling (such as residential and commercial boulevard parking, and boulevard cafes) from a Division who is required to submit the polling request to the City Clerk’s for processing. The process of a poll, which the requesting Division has identified as being required will be governed by the Polling and Notification By-law.

The incremental financial impact on the 2007 Operating Budget for the City Clerk's Office is \$0.042 million gross, \$0 net for translation and results notification costs. The cost is recoverable from Programs requesting the polling as follows:

• Transportation	\$0.037 million
• Municipal Licensing & Standards	0.003 million
• City Clerk's Office – Secretariat	<u>0.002</u> million
Total	<u>0.042</u> million

Issues for Discussion

2007 Operating Budget Issues

2007 Recommended Operating Budget vs. Guideline

The City Clerk's Office's 2007 Recommended Operating Budget of \$31.400 million net is 2.6% higher than the 2006 Approved Net Budget. This is due to increases attributed to collective agreements, merit and step, and inflationary increases on non-salary costs, partially offset by recommended reduction options.

Further reductions to the 2007 Operating Budget are not recommended because demand for the City Clerk's Office's services has steadily increased. Absorbing this growth over the last few years has resulted in considerable pressure that impact services to the Mayor, Council, Committees, and other City Programs. As the City Clerk's services are an integral part of the City's operations, further reductions will impact the reliability, availability, and performance that are critical to the governance and operations of the City. In many cases, direct public service impacts would be the result.

The full impact of the new City of Toronto Act and the new governance structure on the operation and business requirements of the City Clerk's Office is essentially unknown at this point. The increase in the number of Standing Committees and the expected increased frequency of committee meetings will place significant pressure on already stretched resources.

The City Clerk's Office is undertaking a number of initiatives, including meeting management, further service delivery reviews and the coordination of information management initiatives. These key initiatives will alleviate some of the pressures the City Clerk's Office faces in meeting future information management, City governance and service delivery requirements.

Appendix 1
Summary of Recommended Base Budget Changes
From 2006 Approved Budget

(In \$000s)	Summary of 2007 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2008	2009
		\$	\$	\$	\$	\$
2006 Council Approved Operating Budget	360.5	47,005.5	18,051.0	28,954.5	0.0	0.0
In-year approvals and technical adjustments	20.3	1,649.9	7.9	1,642.0		
Corporate adjustments	0.0	0.0		0.0		
2006 Final Operating Budget	380.8	48,655.4	18,058.9	30,596.5	0.0	0.0
Prior year impacts	(5.8)	(4,160.7)	(4,578.7)	418.0		
Zero base items						
Economic factors		917.2	0.0	917.2	1,342.4	563.0
Adjusted Base Budget	375.0	45,411.9	13,480.2	31,931.7	1,342.4	563.0
Other base changes		(538.8)	(603.5)	64.7	247.8	151.0
Base revenue changes			(17.0)	17.0		
Recommended Service Level Adjustments:						
Service efficiencies		(613.4)		(613.4)		
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	0.0	(1,152.2)	(620.5)	(531.7)	247.8	151.0
2007 Recommended Base Budget	375.0	44,259.7	12,859.7	31,400.0	1,590.2	714.0
2007 Program Operating Target	N/A	N/A	N/A	30,596.5	0.0	0.0
% Over (Under) Program Target				2.6%	5.2%	2.3%
% Over (Under) 2006 Appvd. Budget				2.6%	5.2%	2.3%

Appendix 2
Summary of Service Level Adjustments

Appendix 3

Summary of 2007 Recommended New / Enhanced Service Priorities

Appendix 4

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Balance as of December 2006 \$	Proposed Withdrawals (-) / Contributions (+)		
			2007	2008	2009
			\$	\$	\$
Insurance Reserve Fund	XR1010	17,536.0	79.5	0.0	0.0
Equipment Reserve	XQ1507	1,516.0	262.8	0.0	0.0
Vehicle Reserve	XQ1504	351.2	59.2	0.0	0.0
Election Reserve Fund	XR1017	6,014.8	2,123.3	0.0	0.0
Total Reserve / Reserve Fund Draws / Contributions			2,524.8	0.0	0.0