

Analyst Briefing Notes

Budget Committee

(March 26, 2007)

2007 OPERATING BUDGET

Executive Summary	2
Recommendations	4
Section A: 2006 Budget Variance Analysis	5
2006 Experience	5
Impact of 2006 Operating Variance on 2007 Recommended Budget	5
Section B: 2007 Operating Budget Overview	6
3-Year Operating Budget Overview	6
Service Delivery - Challenges and Issues	6
Mayor's Mandate	N/A
Section C: 2007 Recommended Base Budget	7
2007 Recommended Base Budget.....	7
2007 Key Cost Drivers	7
Section D: 2007 Recommended Service Priorities	8
Summary of 2007 New / Enhanced Service Priorities	8
Issues for discussion.....	N/A
2007 Operating Budget Issues	N/A
Issues Referred to 2007 Operating Budget Process	N/A
Appendices:	
Appendix 1: Summary of Recommended Base Budget Changes from 2006 Approved Budget...	10
Appendix 2: Summary of Service Level Adjustments.....	N/A
Appendix 3: Summary of 2007 Recommended New/Enhanced Service Priorities	11-12
Appendix 4: Inflows/Outflows to/from Reserves and Reserve Funds.....	13

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2007 OPERATING BUDGET

Executive Summary

- The 2006 preliminary year-end actual expenditure of \$1.805 million net is \$0.081 million or 4.3% under the 2006 Approved Budget and is attributable to savings due to unplanned gapping.
 - Under-spending on salaries and benefits will have no impact on the 2007 Recommended Budget.
- The 3-year Operating Budget supports the Mayor's Office in carrying out the Mayor's strategic directions and priorities highlighted in his Mandate.
- The 2007 Recommended Operating Budget of \$2.447 million net is \$0.561 million or 29.7% over the 2006 Approved Budget.

Table 1: 2007 Recommended Budget

	2006		2007 Recommended Operating Budget			Change - 2007 Recommended from 2006 Approved Budget		FY Incremental Outlook	
	2006 Appvd. Budget	2006 Projected Actuals*	2007 Base	2007 New /Enhanced	2007 Operating Budget			2008	2009
	\$	\$	\$	\$	\$	\$	%	\$	\$
(In \$000s)									
GROSS EXP.	1,886.2	1,805.0	2,036.2	410.9	2,447.1	560.9	29.7	301.6	56.2
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET EXP.	1,886.2	1,805.0	2,036.2	410.9	2,447.1	560.9	29.7	301.6	56.2
Approved Positions	19.0	19.0	19.0	4.0	23.0	4.0	21.1		
TARGET			1,886.2		1,886.2				
\$ Over / (Under) Program Target			150.0		560.9				
% Over / (Under) Program Target			8.0%		29.7%				

- The 2007 Recommended Operating Budget of \$2.447 million net is comprised of \$2.036 million for base funding and \$0.411 million net for a new/enhanced service priority which includes an increase of 4 staff.
 - The 2008 Outlook of \$0.302 million net or 12.3% increase provides funding for COLA and merit, one additional work day, and the annualized impact of the 2007 recommended new/enhanced service priority. The 2009 Outlook increase of \$0.056 million net or 2.3% is required to provide funding for merit increases after reducing for one working day. No COLA is provided for 2009, as the increase is subject to future consideration.
- The 2007 Recommended Base Budget is \$0.150 million or 8% over the 2007 target.

- 2007 key cost drivers consist of COLA, merit and market rate increases, fringe benefit adjustment, inflationary impacts and one additional working day.
- The recommended new/enhanced service priority includes 4 new staff positions and additional non-salary expenditures resulting in an increase of \$0.411 million gross and net in 2007 and a 2008 net annualized incremental cost of \$0.208 million. Two policy staff will be hired to focus on initiatives on climate change, economic development, waterfront revitalization and civic engagement. Two administrative staff will be hired to support the Office of the Mayor.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Operating Budget for Mayor's Office of \$2.447 million gross and net, comprised of the following service be approved:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Mayor's Office	<u>2,447.1</u>	<u>2,447.1</u>
Total Program Budget	<u><u>2,447.1</u></u>	<u><u>2,447.1</u></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.	1,725.0	1,886.2	1,805.0	(81.2)	(4.3)
REVENUES	0.9	0.0	0.0	0.0	0.0
NET EXP.	1,724.1	1,886.2	1,805.0	(81.2)	(4.3)
Approved Positions	19.0	19.0	19.0	0.0	0.0

Source: * Projected Actuals Based on the Preliminary Year-End Operating Variance Report

2006 Experience

The 2006 year-end actual expenditure of \$1.805 million is \$0.081 million below the 2006 Approved Budget of \$1.886 million. This under spending is primarily due to unplanned staff turnover experienced during 2006.

Impact of 2006 Operating Variance on 2007 Recommended Budget

The one-time favourable 2006 Operating Budget variance will not have any impact on the 2007 Recommended Budget.

Section B: 2007 Operating Budget Overview

3-Year Operating Budget Overview

The 3-Year Operating Budget supports Mayor's responsibility for leading the City of Toronto. The Mayor has a duty to ensure that City Council remains accountable and accessible to the public. In addition, the Mayor's office has a duty to conduct the business of the City in an efficient manner.

Key Strategic Directions and Priorities include:

- Providing environmental leadership for the sustainable development and creation of a climate change plan.
- Improving public transit as a best alternative to automobile use.
- Strengthening financial viability of the City.
- Increasing safety for all communities.
- Enhancing creative industries and changing available public spaces into beneficial people places.
- Creating 1,000 new affordable housing units each year and continuing the city's Streets to Homes program.

Service Delivery - Challenges and Issues

- The Office of the Mayor supports the Mayor in his role as head of Council and Chief Executive Officer of the City of Toronto. The Mayor presides over meetings, represents the City at official functions, promotes public involvement and represents the City locally, nationally and internationally.
- The 2007 Recommended Base Budget for the Mayor's Office in the amount of \$2.036 million, supports 2006 service levels.
- The Recommended Enhanced Services Priority funding, in the amount of \$0.411 million, will enable the Mayor's Office to oversee and advance the Mayor's Mandate priorities and his enhanced role under the City of Toronto Act and the City's new governance structure. Specifically, the funding will address resource needs for climate change, civic engagement, economic development and waterfront revitalization.

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.	1,886.2	2,036.2	150.0	8.0	93.2	44.1
REVENUE	0.0	0.0	0.0	NA	0.0	0.0
NET EXP.	1,886.2	2,036.2	150.0	8.0	93.2	44.1
Approved Positions	19.0	19.0	0.0	0.0		
NET TARGET		1,886.2			0.0	0.0
\$ Over / (Under) Program Target		150.0			93.2	44.1
% Over / (Under) Program Target		8.0%			4.9%	2.3%

2007 Recommended Base Budget

- The 2007 Recommended Base Budget of \$1.886 million net represents an 8.0% or \$0.150 million increase over the 2006 Approved Budget, while maintaining the same level of service as 2006.

2007 Key Cost Drivers

Key cost drivers for 2007 include:

- COLA and one-time market rate adjustment results in an increase of \$0.055 million.
- Merit increases for staff requires an additional \$0.039 million.
- Fringe benefit adjustments and one additional working day increase salary requirements by \$0.056 million.

2008 and 2009 Outlook: Net Incremental Impact

- The 2008 Outlook net increase of \$0.093 million or 4.6% represents ongoing COLA, merit increases and one additional working day.
- The 2009 Outlook net increase of \$0.044 million or 2.2% represents merit increases and the reversal of funding for one additional working day. The 2009 Outlook does not include COLA which is subject to future consideration.

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 Service Priorities - Council Approved					
(b) Enhanced Service Priorities - Program Initiated					
Sub-Total Enhanced Service Priorities	0.0	0.0	0.0	0.0	0.0
(a) New Service Priorities - Council Approved					
(b) New Service Priorities - Program Initiated Additional resource requirements due to the implementation of the new City of Toronto Act, governance structure and Mayor's Mandate.	410.9	410.9	4.0	208.4	12.1
Sub-Total New Service Priorities	410.9	410.9	4.0	208.4	12.1
Total Recommended New / Enhanced Service Priorities	410.9	410.9	4.0	208.4	12.1

2007 Recommended Service Priorities

Enhanced Service Priorities – Program Initiated:

New resources (staff/consultants and expenses) are required to assist the Mayor's Office in meeting new demands as a result of the new City of Toronto Act and governance structure and overseeing and expediting the Mayor's Mandate priorities. Specific initiatives to be addressed by these additional resources include climate change initiatives, economic development, waterfront revitalization and civic engagement. The 2007 Recommended New/Enhanced Services funding, totaling \$0.411 million, provides:

- 4 new staff - \$0.254 million
 - 2 Policy Advisors and 2 Administrative Assistants; 2007 funding is recommended for 7

months, requiring additional funding of \$0.208 million in 2008 to annualize these costs and \$0.012 million in 2009 for merit increases.

- Non-salary costs - \$0.157 million
 - Computer Software and Licenses - \$0.050 million
 - Professional Services - \$0.040 million (contract staff to oversee website design, climate change and other Mayor's Mandate priorities)
 - Miscellaneous Expenditures - \$0.067 million; including travel expenses (\$0.015 million); postage (\$0.003 million); telephone and wireless (\$0.015 million); meeting expenses (\$0.005 million) and interdepartmental charges (\$0.019 million).

Computer Software and Licenses

The Mayor's Office requires two systems to provide efficient administrative support. These are a mail management and a scheduling management system. Funding in the amount of \$0.050 million has been included in the Mayor's Office 2007 Recommended Operating Budget for this purpose.

It is anticipated that existing applications can be found to accommodate the system requirements. However, customization will be required in order to make these systems compatible with the City's e-mail system (Groupwise) and Blackberries.

Once customized, these systems may be available for use by Councillors' offices and City Programs (with additional licensing fees).

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	19.0	1,888.2		1,888.2	0.0	0.0
In-year approvals and technical adjustments						
Corporate adjustments	0.0	(2.0)		(2.0)		
2006 Approved Operating Budget	19.0	1,886.2	0.0	1,886.2	0.0	0.0
Prior year impacts		38.7		38.7	40.3	51.7
Zero base items						
Economic factors		111.3		111.3	52.9	(7.6)
Adjusted Base Budget	19.0	2,036.2	0.0	2,036.2	93.2	44.1
Other base changes						
Base revenue changes						
Recommended Service Level Adjustments:						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	0.0	0.0	0.0	0.0	0.0	0.0
2007 Recommended Base Budget	19.0	2,036.2	0.0	2,036.2	93.2	44.1
2007 Program Operating Target	N/A	N/A	N/A	1,886.2	0.0	0.0
% Over (Under) Program Target				8.0%	4.9%	2.3%
% Over (Under) 2006 Appvd. Budget				8.0%	4.9%	2.3%

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	9.4	9.4	9.4
Total Reserve / Reserve Fund Draws / Contributions			9.4	9.4	9.4