

Analyst Briefing Notes
Budget Committee
(March 26, 2007)

2007 OPERATING BUDGET

Executive Summary2
 Recommendations5
Section A: 2006 Budget Variance Analysis6
 2006 Experience6
 Impact of 2006 Operating Variance on 2007 Recommended Budget7
Section B: 2007 Operating Budget Overview.....8
 3-Year Operating Budget Overview.....8
 Service Delivery - Challenges and Issues.....9
 Mayor’s Mandate9
Section C: 2007 Recommended Base Budget10
 2007 Recommended Base Budget 10
 2007 Key Cost Drivers 10
Section D: 2007 Recommended Service Priorities.....12
 Summary of 2007 New / Enhanced Service Priorities.....12
 Issues for discussion.....16
 2007 Operating Budget Issues16
 Issues Referred to 2007 Operating Budget Process17
Appendices:
 Appendix 1: Summary of Recommended Base Budget Changes from 2006 Approved Budget..19
 Appendix 2: Summary of Service Level Adjustments.....20-26
 Appendix 3: Summary of 2007 Recommended New/Enhanced Service Priorities.....27-31
 Appendix 4: Inflows/Outflows to/from Reserves and Reserve Funds.....32

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2007 OPERATING BUDGET**Executive Summary**

- The 2006 preliminary year-end actual expenditures of \$162.574 million is \$15.449 million below the 2006 Approved Budget which is comprised of mainly savings on winter maintenance activities due to favourable weather conditions in 2006. These savings are estimated to be \$12.850 million. In addition, the Program realized under-spending on various expenses for electrical signal maintenance, signage, line painting, roadway/roadside surface maintenance and drainage work and district management overhead. The year-end variance also reflects the impact of reduced utility cut expenses and revenue due to lower activity in this area which is expected to recur in 2007 and has been considered in the 2007 Recommended Base Budget.
 - The \$12.850 million in under-spending on winter maintenance experienced in 2006 is not expected to recur. Utility cut repair activity levels in 2006 will directly affect the 2007 estimates by \$0.436 million net.
- The strategic direction for Transportation Services over the next 3 years is to maintain the established plan of providing a balanced approach to the delivery of public services while managing constrained resource allocation. The 3 year operating plan enables Transportation Services to address the following challenges and issues:
 - Expanding Clean & Beautiful Initiatives.
 - Transportation system infrastructure maintenance.
 - Greater priority placed on the Bike Plan and the Pedestrian Plan.
 - Phased expansion of the Red Light Camera program.
 - Harmonizing street cleaning and flushing.
 - Provision of resources to manage the City's new Road Damage Policy.
 - Development in the Waterfront area.
- The Transportation Services' 2007 Recommended Operating Budget includes the following challenges:
 - Meeting the target of \$0 million net.
 - Continued expansion of Red Light Camera operations for 2007. This Council approved enhanced priority is reflective of the Program's commitment to public safety and the efficient movement of people, goods and services. The challenge to providing this desired service is reflected by the scale and complexity of the logistics of implementation and operation of the system. It is planned that an additional 44 sites will be operational by June 2007.
 - City's Pedestrian Plan/Bike Plan implementation and support of pedestrian issues. An increase of 4 staff in support of the City's Pedestrian Plan/Bike Plan is recommended to speed implementation of the plan. As well, in support of pedestrian issues and challenges, funding to support the hosting of the Walk 21 Conference is recommended for 2007 in the amount of \$0.367 million gross and net.

- Resources to manage the City’s new Road Damage By-law. This Council approved new priority includes the addition of 2 By-law Officers in Transportation Services to address the workload increase related to the inspections of development projects resulting from the Municipal Road Damage Deposit By-law.
- The addition of 4 By-Law Officers will enhance enforcement of front yard parking infractions in accordance with the new uniform Municipal Code, Chapter 918, parking on residential front yards and boulevards.

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 Actual	2007 Base	2007 New /Enhanced	2007 Operating Budget			2008	2009
	\$	\$	\$	\$	\$			%	\$
(In \$000s)									
GROSS EXP.	275,894.4	243,872.2	272,531.5	1,650.1	274,181.6	(1,712.8)	(0.6)	4,072.6	408.4
REVENUE	97,871.8	81,298.4	89,335.9	753.7	90,089.6	(7,782.2)	(8.0)	37.0	0.0
NET EXP.	178,022.6	162,573.9	183,195.6	896.4	184,092.0	6,069.4	3.4	4,035.6	408.4
Approved Positions	1,376.3	1,366.3	1,357.7	11.0	1,368.7	(7.6)	(0.6)		
TARGET			178,022.6		178,022.6				
\$ Over / (Under) Program Target			5,173.0		6,069.4				
% Over / (Under) Program Target			2.9%		3.4%				

Note: Projected Actuals are preliminary year-end actual expenditures

- The 2007 Recommended Operating Budget of \$184.092 million net is comprised of base funding of \$183.196 million and new/enhanced service priorities of \$0.896 million. This represents a \$6.069 million or 2.9% increase over the 2006 Approved Operating Budget of \$178.023 million.
 - The Outlook for 2008 and 2009 maintains the 2007 recommended levels of service while managing the cost-of-living adjustments (COLA) and merit/step increases. The outlook for 2009 does not include a provision for COLA, as the increase is subject to future negotiations.
- The 2007 Recommended Operating Budget including base expenditures of \$183.196 million net and new/enhanced service priorities of \$0.896 million net and provides funding for base budget pressures and service priorities which include the following:
 - Additional net expenditures of \$8.490 million are recommended for the Program’s Base Budget which are needed to fund annualizations, merit and step increases, COLA and inflation. In addition to these adjustments, a revenue adjustment to reflect a decrease in the volume of utility cut repair work has been included to provide a better estimate of the level of activity to be expected in 2007 and subsequent years.

- Service Level Changes in the amount of \$3.753 million net recommended to alleviate some of this expenditure impact to approach the 0% target. Included within this amount is a \$2.0 million contribution from the Roads and Sidewalk Reserve Fund.
- COLA increases for Local 416 for 2008 in the amount of \$2.064 million as well as merit & step increases based on prior years' provisions in the amount of \$0.312 million in 2008 and \$0.228 million in 2009. Also included is operating impact from Capital related to the ongoing new costs incurred as a result of new traffic signal and RESCU system installations will be \$0.270 million for each of 2008 and 2009.
- Recommended New and Enhanced Service Priorities of \$1.650 million gross and \$0.896 million net, with an incremental impact on 2008 of \$0.174 million will address various service level gaps and new opportunities to improve public service.
 - This includes new Red Light Cameras (\$0.741 million), 4 new Bike plan staff to support the Mayor's Mandate, funding for the Walk21 Conference (\$0.367 million), 4 new parking enforcement staff starting in the last quarter of 2007 for \$0.050 million and 2 new inspectors for Municipal Road Damage for \$0.080 to address the anticipated increased workloads. As a result of these new & enhanced service priorities, a total additional 11 staff are recommended in 2007.
- Priorities outlined in the Mayor's Mandate included in the 2007 Recommended Operating Budget:
 - Speed up Implementation of Toronto's Bike Plan by increasing staff with funding of \$0.286 million.
 - Implementation of a Ravine Improvement Team that will Clean, Beautify, and Improve Access and Stewardship to Toronto's Ravines by providing unique skills as required.
- The 2007 Recommended Operating Budget is consistent with Transportation Services' overall objectives including maintaining the transportation infrastructure in a state of good repair with regard to public safety and efficient movement of people, goods and services and reflects the required funding for these service level objectives.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Operating Budget for Transportation Services of \$274.182 million gross and \$184.092 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Roadway Services	128,196.2	93,728.5
Roadside Services	52,117.2	26,132.8
Traffic Planning/Row Mgmt	11,894.6	(5,676.8)
Traffic & Safety Services	41,756.3	37,725.0
Infrastructure Management	16,163.3	13,028.5
District Mgmt & Overhead	1,229.1	(1,670.9)
Technical & Program Support	22,824.9	20,824.9
	-----	-----
Total Program Budget	<u>274,181.6</u>	<u>184,092.0</u>

2. the Deputy City Manager for Citizen Centred Services “B” and the General Manager of Transportation Services report to Public Works and Infrastructure Committee prior to the 2008 Budget process on the success of the Red Light Camera program, the status of Phase 1 & 2 expansion and requirements for future proposed phases; and,
3. regarding the Municipal Road Damage Deposit By-law:
 - 3a. that a new non-refundable fee of \$50.00 dollars per application be approved for the Municipal Road Damage Deposit By-law;
 - 3b. the additional costs of staffing within Transportation Services and Building Services to administer Municipal Road Damage Deposit By-law be offset by a non-refundable fee of \$50.00 (fifty dollars) per application.

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.	273,758.7	275,894.4	243,872.2	32,022.2	11.6
REVENUES	81,024.0	97,871.8	81,298.4	16,573.4	16.9
NET EXP.	192,734.7	178,022.6	162,573.9	15,448.7	8.7
Approved Positions	1,357.1	1,376.3	1,366.3	10.0	0.7

Source: *Projected Actuals are preliminary year-end actual expenditures.

2006 Experience

Transportation Services' preliminary year-end net favourable variance is \$15.449 million or 8.7 % below the 2006 Approved Operating Budget.

The net favourable variance of \$15.449 million is attributed to expenses for salaries and benefits, materials and supplies and contracted services and revenues for utility cut repairs. Of the \$15.449 million net under-spending, \$12.850 million is attributable to reduced winter maintenance activities:

- Due to mild weather conditions in the early and latter part of 2006, contracted winter maintenance expenditures are under-spent by \$7.172 million.
- Winter maintenance in-house salaries and benefits were underspent by \$3.787 million. However, staff resources were diverted to other road maintenance activities resulting in total net salary and benefit under-spending of \$0.792 million.
- Cost savings for de-icing salt of \$2.359 million and savings on fleet maintenance of \$0.820 million, representing a total savings of \$3.179 million.
- Total preliminary year-end actual under-spending of \$7.354 million for maintenance activities such as electrical signal maintenance, signage, line painting, roadway/roadside surface maintenance and drainage work and district management overhead were, in total, under-spent by \$3.873 million. Under-spending for red light cameras of \$0.500 million is due to a delay in the implementation of the expansion programme. The balance of under-spending of \$2.981 million was for miscellaneous services and rents for roadway and roadside services, traffic safety, infrastructure and district management.

- Utility Cut Repair Activity, which represents \$5.854 million net in over-spending, is due primarily to 3 factors:
 - Contracted services for Utility Cut Repairs which, due to decreased activity is under-spent by \$14.662 million. Accordingly, the associated recoveries from utility companies are \$19.137 million under budget. The differential between the expense and revenue for Utility Cut Repairs, in the amount of \$4.475 million, represents lost administration fees and a net increase in cost.
 - The deferral of the planned hiring 10 new utility cut inspectors (\$0.530 million) was deferred as a result of reduced activity levels.
 - Various interdepartmental recoveries were under-achieved by \$1.846 million by year-end contributing to a net cost increase. This was mainly influenced by unrealized revenue from Toronto Water of \$1.909 million related to utility cut repairs.

Impact of 2006 Operating Variance on 2007 Recommended Budget

The reduced utility cut volume experienced in 2006 is expected to continue into 2007. For 2007, expenses for contracted services for utility cuts have been reduced. However, 2007 also includes a corresponding reduction in revenue recovered from utility companies used to offset the cost of the repairs. This results in a net cost increase of \$0.436 million in 2007.

The 2007 Operating Budget assumes the resumption of winter maintenance activities and contracted services for roadway and roadside maintenance, traffic signal maintenance and signage and the 2006 under-spending is not expected to recur in 2007.

Section B: 2007 Operating Budget Overview

3-Year Operating Budget Overview

Transportation Services' overall objectives include maintaining the transportation infrastructure including roads, bridges, sidewalks and boulevards in a state of good repair with regard to public safety and efficient movement of people, goods and services.

Transportation Services' strategic direction over the next 3 years is to maintain the established plan of providing a balanced approach to the delivery of public services while managing constrained resources. This 3 year plan aims at optimizing deliverables in the following areas:

- **Harmonization of Service Levels:** Transportation Services will continue to focus on the harmonization of service levels across the City in response to Council directives and the need to adjust service delivery resources to meet fiscal and human resources available.
- **Clean & Beautiful City:** In keeping with Council's directive to make Toronto a clean and beautiful City, during the 2007 fiscal period ongoing efforts will be directed toward improving the aesthetics of the road system, in particular grassed and landscaped areas adjacent to roadways. The physical condition of the visible traffic plant such as signal heads, poles, pavement markings and signs will be highlighted as part of the overall initiative to be more aware of the contextual nature of Program responsibilities.
- **Infrastructure Maintenance:** As stewards of the roadway network including expressway, arterial and local roads, the division is committed to ensure that the infrastructure assets are properly maintained and that public access is provided safely.

The total decrease of \$1.713 million (reflected in Table 1) in the 2007 Recommended Gross Expenditures over the 2006 Approved Operating Budget reflects the requirement to contain costs while continuing to deliver the current level of services and accommodate necessary service enhancements. The overall net increase of \$6.069 million over the 2006 Approved Operating Budget is the result of decreased anticipated revenues mainly for utility cut repairs.

The key 2006 service level indicators for Transportation Services include the following:

- Completed/commenced 6 major planning studies.
- Achieved over 97% compliance with STAR development review timelines.
- Processed approximately 37,656 utility cut applications City-wide.
- Maintenance of 2,029 traffic control signals and 574 pedestrian crossovers.
- In 2006, 9,957 charges were laid at Toronto's Red Light Camera sites.
- Patrolled and maintained 13,533 lane kilometers of roadways.
- Managed 38 winter snow events in 2005-2006 winter season.

The 2008 and 2009 Outlook maintains the 2007 level of service while managing the cost of living allowance (COLA) and merit/step increments for union and non-union staff. The outlook for 2009 does not include a provision for COLA, as the increase is subject to future negotiations.

Service Delivery - Challenges and Issues

In requesting funding for new initiatives, Transportation Services has identified service gaps that cannot be met. Some of these service gaps also relate to services that form part of the Mayor's Mandate. Specifically, "A Cleaner and More Beautiful City" and "Better Transit Today". New funding for Red Light Camera Expansion, commitment to and support of the Pedestrian Plan, the request for resources for Parking Enforcement can be linked to the strategic goal of improving public service.

- The support of cycling issues is also part of the Mayor's Mandate and funding is provided to enhance this service for 2007. An increase in 4 staff in support of the City's Pedestrian Plan /Bike Plan is recommended to speed implementation of the plan. As well, in support of pedestrian issues and challenges, funding to support the hosting of the Walk21 Conference is recommended for 2007.
- Mechanical Weed Control is a Clean & Beautiful City initiative. Although this initiative was not planned to be programmed in 2006, Transportation Services met this challenge by providing the service through re-allocation of resources. For 2007, increased funding is recommended for this enhanced service.
- The continued expansion of Red Light Camera operations is recommended for 2007. This Council approved priority is reflective of the Program's commitment to public safety and the efficient movement of people, goods and services. The challenge to providing this desired service is reflected by the scale and complexity of the logistics of implementation and operation of the system. It is planned that an additional 44 sites will be operational by June 2007.
- Continued aging of the transportation system infrastructure and associated increased maintenance cost impact to the operating budget.

Mayor's Mandate

The 2007 Recommended Operating Budget directly advances the following priorities outlined in the Mayor's Mandate:

- ***Speed Up Implementation Of Toronto's Bike Plan***

An increase in 4 permanent staff from the 1 existing temporary position in support of the City's Pedestrian Plan / Bike Plan is recommended to speed implementation of the Bike Plan. Consultation with the Cycling Committee has resulted in an improved plan and new technical and engineering staff will be dedicated to managing implementation of the Cycling Infrastructure capital project. This enhanced service cost is \$0.286 million for 2007.

- ***Implementation of a Ravine Improvement Team that will Clean, Beautify, and Improve Access and Stewardship to Toronto's Ravines:***

As another cross-divisional initiative, this program led by Parks, Forestry and Recreation will involve Transportation Services when unique skills are required, for example, in the operation of equipment for Ravine Maintenance Crews.

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.	275,894.4	272,531.5	(3,362.9)	(1.2)	3,176.2	408.4
REVENUE	97,871.8	89,335.9	(8,535.9)	(8.7)	0.0	0.0
NET EXP.	178,022.6	183,195.6	5,173.0	2.9	3,176.2	408.4
Approved Positions	1,376.3	1,357.7	(18.6)	(1.4)		
NET TARGET					0.0	0.0
\$ Over / (Under) Program Target		5,173.0			3,176.2	408.4
% Over / (Under) Program Target		2.9%			1.8%	0.2%

2007 Recommended Base Budget

The 2007 Recommended Base Budget of \$183.196 million net represents a 2.9% increase over Transportation Service’s 2006 Approved Base Budget while generally maintaining 2006 service levels.

- While addressing the requirement to recognize necessary expenditures such as COLA, merit and inflation, the 2006 service levels are generally maintained by ensuring that salaries and benefits are adjusted for staff turnover, efficiencies are identified and reserve fund contributions and draws are adjusted as necessary.

2007 Base Budget Key Cost Drivers

Key cost drivers include the following:

- Additional net expenditures of \$8.490 million are recommended for the Program’s Base Budget which are needed to fund annualizations, merit and step increases, COLA for Locals 416 and 79 and wage increases for exempt staff, non-salary inflationary increases, as well as other base changes including various Interdepartmental Charges, sundry revenue changes due to volume and rate and staffing reclassification costs and savings.
- Reduced 2006 activity in the Utility Cut Repair program resulted in a reduction of \$10.010 million gross, \$10.447 million revenue resulting in a net increase of \$0.436 million in 2007.

These adjustments are meant to provide a better estimate of the level of activity to be expected in 2007 and subsequent years.

- To alleviate some of this expenditure impact, the 2007 Recommended Base Budget incorporates recommended Service Level Changes in the amount of \$3.753 million net. Included within this amount is a contribution from the Roads & Sidewalk Reserve Fund of \$2.000 million based on using unclaimed municipal road damage deposits transferred to the reserve fund. These reductions reflect service efficiencies on various material, equipment, services and license permit costs, reductions to fleet contributions, the continued deferral of hiring of utility cut inspectors and the utilization of Light Emitting Diode (LED) program savings.
- Various reductions for street cleaning contracted summer maintenance, concrete sidewalk repairs, grass cutting and in-house general maintenance were considered but determined to be too severe in relation to required service levels.
- Approved base positions recommended for 2007 total 1,357.7 and have decreased by 18.6 positions from the 2006 approved complement of 1,376.3. This is due to reduction of 2.2 temporary positions, 2 Heavy equipment operators not needed for flushing activities because of the procurement of new street sweepers, 4.4 positions re-allocated to PPF&A and deferral of the hiring of 10 utility cut inspector positions based on lower activity volumes.

2008 and 2009 Outlook: Net Incremental Impact

The 2008 and 2009 Outlook maintains the 2007 level of service while managing the cost of living allowance (COLA) and merit/step increments for union and non-union staff. The outlook for 2009 does not include a provision for COLA, as the increase is subject to future negotiations.

Section D: 2007 Recommended Service Priorities

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

Priority	Description	2007 Recommended		Rec. New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.		2008	2009
		\$	\$	#	\$	\$
(a) Enhanced Service Priorities - Council Approved						
	Red Light Camera Expansion Phase 2	740.9	740.9		624.3	
	Staffing Support - Pedestrian Plan / Toronto Bike Plan	286.7	0.0	4.0		
	Parking Enforcement	50.1	50.1	4.0	(56.3)	
(b) Enhanced Service Priorities - Program Initiated						
	Mechanical Weed Control	125.0	125.0			
Sub-Total Enhanced Services		1,202.7	916.0	8.0	568.0	0.0
(a) New Service Priorities - Council Approved						
	Pedestrian Plan / Walk 21 Conference	367.0	0.0		(367.0)	
	Municipal Road Damage Deposits	80.4	(19.6)	2.0	(27.0)	
(b) New Service Priorities - Program Initiated						
	Traffic Plant Asset Management Technologist	0.0	0.0	1.0		
Sub-Total New Service Priorities		447.4	(19.6)	3.0	(394.0)	0.0
Total Recommended New / Enhanced Service Priorities		1,650.1	896.4	11.0	174.0	0.0

2007 Recommended Service Priorities**Recommended Enhanced Services****Enhanced Service Priorities – Council Approved:*****Red Light Camera Expansion:***

- At its meeting on May 23, 24 and 25, 2006, Council authorized expansion of the red light camera program by forty four (44) cameras to improve the safety at intersections controlled by traffic control signals. The existing red-light cameras have been successful in reducing right-angle collisions resulting in personal injury or death by 48%.
- 2007 recommended funding is \$0.740 million gross and net. The incremental impact for 2008 is \$0.624 million based on annualization for 5 months which enables installation by June and 7 months of operation.
- This project is recommended for 2007 given that corporately, it is fully funded from fine revenues to be generated.
- It is recommended that the Deputy City Manager Citizen Centred Services “B” and the General Manager of Transportation Services report to Public Works and Infrastructure Committee prior to the 2008 budget process on the success of the Red Light Camera Program, the status of Phase 2 implementation and requirements for future proposed phases.

Staffing Support - Pedestrian Plan / Toronto Bike Plan:

- At its meeting of October 26, 27, 28 and 30, 2005 City Council received the Pedestrian Plan/ Toronto Bike Plan.
- Four additional positions are required to meet Council’s approved objective of accelerating the Toronto Bike Plan, effectively delivering the Cycling Infrastructure Capital Budget and to meet a commitment to City Council to develop a new Pedestrian Plan. Funding of \$0.287 million has been recommended for this enhanced service in 2007. New staff positions include a senior engineer, an engineer, an engineering technologist and a transportation planner.
- Tasks will include project management; engineering design and analysis; field investigation; report writing; public consultation; co-ordination with districts and functional groups; and, drafting/mapping for bikeway projects and the Pedestrian Plan as needed.
- \$0.287 million in 2007 represents a 6 month expense with funding recovered from Capital (Cycling Infrastructure) with a net impact of \$0.0 million.

Parking Enforcement Staff:

- At its meeting of June 27, 28 and 29, 2006 City Council approved the hiring of 4 By-Law Officer positions (one per district) to enhance enforcement of front yard parking infractions.
- The addition of 4 By-Law Officers will enhance enforcement of front yard parking infractions in accordance with the new uniform Municipal Code, Chapter 918, parking on residential front yards and boulevards.
- Implementation in the last 2 months of 2007 resulted in a net expense of \$0.050 million in 2007. The full year cost of \$0.298 million is recoverable in 2008 and results in incremental net revenue of \$0.056 million.
- Funding will be derived from a front yard parking fee commencing in 2008. The annual fee will not be increased in 2007 given that renewal notices will be sent to residents prior to the 2007 budget approval.

Enhanced Service Priorities – Program Initiated:***Mechanical Weed Control:***

- Mechanical Weed Control is a Clean & Beautiful City initiative. This initiative is meant to improve the aesthetics of the roadway by removing weeds on sidewalks and boulevards.
- Although this initiative was not planned to be programmed in 2006, Transportation Services met this challenge by providing the service through re-allocation of resources which no longer can be sustained from the base budget. For 2007, increased funding of \$0.125 million net is recommended to continue this enhanced service.

Recommended New Service Priorities**New Service Priorities – Council Approved:*****Pedestrian Plan / Walk 21 International Conference:***

- Clause No. 23 of Report No. 6 of the Policy and Finance Committee, adopted by City Council on July 25, 26 and 27, 2006.
- The City will be host for the Walk 21 International Conference in October 2007. The conference will provide a unique opportunity to engage international pedestrian planning experts in the development of Toronto's Pedestrian Plan.
- This initiative will be funded from the Corporate Fund to Host Conferences for \$0.107 million and from delegate registration fees of \$0.260 million.

Municipal Road Damage Deposit By-law:

- At its meeting of May 23, 23 and 25, 2006 City Council adopted Clause 1a of Works Committee Report 2 which provided for the adoption of the Municipal Road Damage Deposit By-law
- Two new Roads Inspectors have been recommended to administer the new By-law at a cost of \$0.080 million gross, which will be more than offset for 2007 by new fine revenues of \$0.100 million, resulting in new revenue to the City of \$0.019 million. This funding reflects a half year impact with an annualization of \$0.027 million net revenue occurring in 2008. This recommended service change will be fully funded with the concurrent approval of the \$50 administration fee as detailed in the referred recommendations of Clause 1a of Works Committee Report 2.

New Service Priorities – Program Initiated:***Traffic Plant Asset Management Technologist:***

- Recommended funding of \$0.035 million gross and \$0 net half-year cost to bring this function in-house is offset by an equivalent reduction in contracted services. This additional position has been recommended as new service priority.
- By having a city staff person perform this function, there is a reduction in the probability that any contractor may have information that advantages them in bidding on other city contracts. In addition, this brings the asset management function closer to the staff responsible for managing the assets.

Issues for Discussion

2007 Operating Budget Issues

2007 Recommended Operating Budget vs. Guideline

Transportation Services' 2007 Recommended Base Operating Budget is \$183.196 million net. This is 2.9% or \$5.173 million over target. The adjustments required to achieve the 0% target are significant. While reduction options totaling \$4.661 million were submitted to reduce the over target amount, these options were examined and were deemed as having severe impacts on essential services and are not recommended. These reductions would also have the impact of reducing the current complement by 77 approved positions. It should be noted that the recent review of the Transportation Services' Capital Budget for 2007 includes a roads backlog which could result in more required maintenance thereby not allowing the Program to easily consider further resource restrictions.

Recent provisions for gapping have been at a reasonable level. The gapping level for 2006 was budgeted at \$4.203 million or 4.35% of total salaries and benefits. Actual gapping experienced for 2006 is \$4.995 million or 5.13%. This compares to \$4.390 million or a gapping rate of 4.36% for 2007 and is reasonable based on the expectation that the 2006 experience will not recur.

With the recommended reduction options totaling \$3.753 million net there are no evident further options for significant reduction without severely impacting service levels. However, in an effort to achieve the corporate affordability targeted increase of 0% for 2008, the Program should continue to review planned expenditures in order to derive any further economies.

Red Light Camera Implementation

On May 23, 24 and 25, 2006 City Council adopted as amended Clause 18 of Policy & Finance Report 4 entitled "Red-Light Camera Operations: Contract Extension and Request for Proposal 9148-05-5048 for the Supply, Installation, Operation and Maintenance of Red-Light Camera Systems Within the City of Toronto and Other Municipalities Within Ontario".

This report authorized the extension of the contract with Affiliated Computer Systems for the operation and maintenance of the current red-light camera systems for an additional 2 years and the expansion of the City's red light camera system by 132 camera sites and for the supply, installation, operation and maintenance of these red-light camera systems for a 5 year period by Trafficpax contingent on Trafficpax passing a "*Proof of Performance*". Also adopted was the extension of agreements with the Ministry of Transportation Ontario for the access and use of license plate registration information and with other partnering municipalities for their cost-sharing of the operating expenses of the joint municipal processing centre. During 2006, it was intended that 12 more camera sites in addition to the 37 existing camera sites (10 operational cameras) would be implemented within the City. Due to a longer than anticipated procurement process, the camera systems planned for implementation by September 1, 2006 were not ready until February 2007. These sites are currently waiting regulatory amendments by the Ministry of Transportation Ontario

in order to be activated. As a result, both the anticipated fine revenue for Court Services and the associated contributions from partnering municipalities has been delayed. In addition, the 44 expansion sites planned for 2007 are 2 months behind schedule with a 7 month operational period instead of 9 months. The corresponding reduction in expense and revenue has been reflected as appropriate in the enhanced service priorities of both Transportation Services and Court Services.

The May 2006 staff report projected an additional 44 sites in 2008 and 32 sites in 2009 with associated net Operating Budget impacts. The 2007 Recommended Operating Budgets for Court Services and Transportation Services do not currently include red light camera impacts as part of the 2008 and 2009 Outlooks due to the fact that the Phase 1 (12 sites early 2007) and Phase 2 (44 sites in mid-2007) implementation experience need to be reviewed before any further re-estimation of future year costs. It is recommended the Deputy City Manager Citizen Centered Services “B” and the General Manager of Transportation Services report to Public Works and Infrastructure Committee prior to the 2008 Budget process on the success of the Red Light Camera program, the status of Phase 1 & 2 expansion and requirements for future proposed phases.

Issues Referred to the 2007 Operating Budget Process

Municipal Road Damage Deposit By-law:

At its meeting of May 23, 23 and 25, 2006 City Council adopted Clause 1a of Works Committee Report 2 which provided for the adoption of the Municipal Road Damage Deposit By-law. The By-law is meant to arrive at a harmonized process for dealing with funds deposited with the City by developers and homeowners ostensibly to cover the cost of potential repairs to sidewalks and road ways incurred as a result development activity. At the same time, City Council referred 2 other recommendations to the 2007 Budget process:

- “(b) two Roads Inspectors in the Transportation Services Division and two Counter Clerks in the Building Services Division be hired to address the anticipated increase of work resulting from this program; and
- (c) a non-refundable fee of \$50.00 (fifty dollars) per application, included in the Municipal Road Damage Deposits, be levied to cover the additional costs of staffing for this program;”.

The new program funding for 2 Roads Inspectors in Transportation Services, including offsetting revenue, has been recommended as a new service priority. Consistent with recommendation (c) above, it is recommended that a new non-refundable fee of \$50.00 dollars per application be approved to support the Municipal Road Damage Deposit By-law. It is also recommended that the additional costs of staffing within Transportation Services and Building Services to administer Municipal Road Damage Deposit By-law be offset by non-refundable fee of \$50.00 (fifty dollars) per application. It is estimated that the full year volume of applications is approximately 8,000 generating \$0.400 million in revenue shared equally between Transportation Services and Building Services.

The Municipal Road Damage Deposit By-law program also reflects a Service Level Revenue Change. The Program is proposing an annual contribution from the Roads & Sidewalk Repair,

Maintenance & Reconstruction Reserve Fund in the amount of \$2.000 million to help offset related expenditures to stay within the operating target and maintain service delivery. When the staff report was adopted it was estimated that \$19.9 million in damage deposits were being held by the City. The current balance in the reserve fund is \$6.578 million as deposits have been transferred in the last quarter of the year. This represents sustainable funding for 2007, 2008 and 2009 to achieve continued annual contributions from this reserve fund in order to offset operating expenses and maintain service delivery.

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	1,375.3	285,520.9	97,871.8	187,649.1		
In-year approvals and technical adjustments	1.0	(179.7)	0.0	(179.7)		
Street Lighting Hydro		(9,853.6)		(9,853.6)		
Corporate adjustments		406.8	0.0	406.8		
2006 Final Operating Budget	1,376.3	275,894.4	97,871.8	178,022.6	0.0	0.0
Prior year impacts		727.4		727.4	581.9	498.4
Zero base items		0.0		0.0		
Economic factors		7,622.5		7,622.5	2,064.3	0.0
Adjusted Base Budget	1,376.3	284,244.3	97,871.8	186,372.5	2,646.2	498.4
Other base changes	(8.6)	(9,923.0)	(10,716.7)	793.7	30.0	(90.0)
Base revenue changes		0.0	180.8	(180.8)		
Recommended Base Adjustments:						
Service efficiencies		(484.8)		(484.8)		
Revenue adjustments			2,000.0	(2,000.0)		
Minor service impact	(10.0)	(1,130.0)		(1,130.0)	500.0	
Major service impact	0.0	(175.0)		(175.0)		
Total Recommended Base Adjustments	(18.6)	(11,712.8)	(8,535.9)	(3,176.9)	530.0	(90.0)
2007 Recommended Base Budget	1,357.7	272,531.5	89,335.9	183,195.6	3,176.2	408.4
2007 Program Operating Target	N/A	N/A	N/A	178,022.6	0.0	0.0
% Over (Under) Program Target				2.9%	1.8%	0.2%
% Over (Under) 2006 Appvd. Budget				2.9%	1.8%	0.2%

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 \$
Vehicle Reserve - Transportation (Contribution)	XQ1015	3,262.2	2,705.5	2,735.5	2,645.5
Vehicle Reserve - Transportation (Reduction)	XQ1015		(100.0)		
Vehicle Reserve - Transportation	XQ1015	3,262.2	2,605.5	2,735.5	2,645.5
Roads & Sidewalk Repair, Maint & Reconstr.	XR1402	6,578.1	(2,000.0)	(2,000.0)	(2,000.0)
Insurance Reserve Fund	XR1010	17,536.0	11,752.3	11,752.3	11,752.3
LED Reserve Fund (Contribution)	XR1407	850.0	500.0		
LED Reserve Fund (Defer Contribution)		0.0	(500.0)	500.0	
LED Reserve Fund		850.0	0.0	500.0	0.0
Total Reserve / Reserve Fund Draws / Contributions		21,648.2	12,357.8	12,987.8	12,397.8

Note:

1. Negative amounts represent withdrawals, reduced contributions and/or deferred contributions.
2. The request to set-up the of Light Emitting Diode (LED) Reserve Fund was approved by Council on September 25, 26, 27, 2006 in Clause 75 of Policy & Finance Report 7. The purpose of the LED Reserve Fund is to collect the savings resulting from the implementation of LED Traffic Signals. The first annual estimated contribution has been deferred to 2008 in order that the program utilizes the savings as a base budget reduction instead of a contribution expense.