

Analyst Briefing Notes
Budget Committee
(March 26, 2007)

2007 OPERATING BUDGET

Executive Summary	2
Recommendations	5
Section A: 2006 Budget Variance Analysis	6
2006 Experience	6
Impact of 2006 Operating Variance on 2007 Recommended Budget	6
Section B: 2007 Operating Budget Overview.....	7
3-Year Operating Budget Overview.....	7
Service Delivery - Challenges and Issues.....	7
Mayor’s Mandate	7
Section C: 2007 Recommended Base Budget	9
2007 Recommended Base Budget	9
2007 Key Cost Drivers	9
Section D: 2007 Recommended Service Priorities	11
Summary of 2007 New / Enhanced Service Priorities	11
Issues for discussion.....	13
2007 Operating Budget Issues	13
Issues Referred to 2007 Operating Budget Process	14
Appendices:	
Appendix 1: Summary of Recommended Base Budget Changes from 2006 Approved Budget .	15
Appendix 2: Summary of Service Level Adjustments	16
Appendix 3: Summary of 2007 Recommended New/Enhanced Service Priorities.....	17
Appendix 4: Inflows/Outflows to/from Reserves and Reserve Funds.....	N/A

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2007 OPERATING BUDGET**Executive Summary**

- The 2006 preliminary year-end net actual expenditures of \$0.751 million is \$0.076 million below the 2006 Approved Budget which is comprised mainly of savings from a delay in the hiring of a Technical Coordinator approved for 2006 and under spending of consulting costs on waterfront projects that were not realized due to unplanned project delays in the West Don lands and East Bayfront.
 - With resolution of project delays, the 2006 variance in gross expenditures and the resulting capital recovery for revenues is not expected to have any impact on the 2007 Recommended Budget.

- The strategic direction for the Waterfront Secretariat over the next three years is to continue to manage the resources necessary to advance Waterfront Revitalization, with a strong focus on “shovel-in-the-ground” activities. The Long Term Funding Plan for Waterfront revitalization, as approved by Council in July of 2006 provides for the transformation of existing brownfields into vibrant, mixed-use, transit-friendly communities, with ongoing work expected to intensify in East Bayfront and West Don Lands in 2007 and 2008. The 3-year operating budget enables the Waterfront Secretariat to focus the following challenges and issues:
 - Advance, streamline, and expedite Waterfront renewal by providing one window access for all stakeholders involved in the Initiative.
 - Lead the processes required to implement the Waterfront vision. The Secretariat will continue to oversee and facilitate all processes related to the Waterfront Revitalization Initiative, ensuring that the City’s interests and priorities are protected and reflected in Revitalization efforts.
 - Ensure that the critical paths, resources, and staff structures are in place within the City and the TWRC to achieve the Mayor’s Mandate with respect to the revitalization of Toronto’s Waterfront. Ensure the structure, technical expertise and capacity of the City’s waterfront teams are appropriate and sufficient to deliver the Waterfront parks and public spaces, as well as other deliverables, by 2010.
 - Ensure that the City effectively undertakes all steps necessary for the TWRC to achieve the deliverables outlined in its Long-Term Funding Plan (2006 – 2015).
 - With Provincial and Federal partners, ensure that issues of governance, funding, audit, accountability, risk management, environmental assessment, and land management are effectively addressed.
 - Ensure that affordable housing targets are met across the Waterfront in consultation with the City’s Affordable Housing Office and TWRC.

- The 2007 Recommended Operating Budget of \$1.080 million net is \$0.253 million or 30.6% over the 2006 Approved Budget and the 2007 target.

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.	993.5	993.5	1,115.9	200.0	1,315.9	322.4	32.5	38.5	(189.9)
REVENUE	166.7	166.7	236.2	0.0	236.2	69.5	41.7	0.0	0.0
NET EXP.	826.8	826.8	879.7	200.0	1,079.7	252.9	30.6	38.5	(189.9)
Approved Positions	8.0	8.0	8.0	0.0	8.0				
TARGET			826.8		826.8				
\$ Over / (Under) Program Target			52.9		252.9				
% Over / (Under) Program Target			6.4%		30.6%				

Note: Projected Actuals are preliminary year-end actual expenditures

Note: The Approved Positions do not include one temporary Waterfront Project Manager position funded through Technical Services

- The 2007 Recommended Operating Budget of \$1.080 million net is comprised of \$0.880 million net for base funding and \$0.200 million net for a new/enhanced service priority.
 - The 2008 and 2009 Outlook is comprised of a net increase of \$0.039 million or 3.6% in 2008 for ongoing cost of living allowance (COLA), merit & step increases and an additional working day in the calendar year and, in 2009, a net decrease \$0.190 million or 17% mainly as a result of the completion of the Western Waterfront Master Plan in 2008 and the loss of a working day in the 2009 calendar year.
- The 2007 Recommended Base Budget of \$1.116 million gross and \$0.880 million net provides funding for the following base budget pressures and service priorities:
 - Additional net expenditures of \$0.084 million are recommended for the Program’s Base Budget which is needed to fund the annualized cost and final classification of the Technical Coordinator position, COLA and merit and step increases for staff.
 - An additional \$0.031 million in revenue is included to increase the recovery from capital for the Technical Coordinator position. This increase is needed as a result of job final classification.
- Funding of \$0.200 million is recommended to develop a Western Waterfront Master Plan between Marilyn Bell Park and the Humber River, as directed by City Council.

- The Secretariat will support the priorities outlined in the Mayor's Mandate, such as continuing to build a Clean, Green and Beautiful Waterfront. This includes completing 100% of parks and public spaces planned for the Waterfront by 2010.
- The 2007 Recommended Operating Budget will ensure that critical paths, resources and staff structures are in place to achieve the revitalization of Toronto's Waterfront. Specifically, it will allow the Waterfront Secretariat to manage the municipal processes necessary for implementing the West Don Lands and East Bayfront Precinct Plans, with particular emphasis on parks, affordable housing and employment attraction.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Operating Budget for the Waterfront Secretariat of \$1.316 million gross and \$1.080 million net, comprised of the following service, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Waterfront Secretariat	<u>1,315.9</u>	<u>1,079.7</u>
Total Program Budget	<u><u>1,315.9</u></u>	<u><u>1,079.7</u></u>

2. an account be established within the State of Good Repair Reserve Fund entitled the “Don River Park Maintenance, Operations and Programming Reserve Fund” be established for which the purpose is to provide funding for the maintenance, operations and programming of the Don River Park;
3. Municipal Code Chapter 227 (Reserves and Reserve Funds) be amended by adding the “Don River Park Maintenance, Operations and Programming Reserve Fund” to Schedule 5; and,
4. the appropriate City officials be authorized and directed to take necessary action and that leave be granted for the introduction of any necessary bills in Council to give effect thereto.

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.	793.7	993.5	879.7	(113.8)	(11.5)
REVENUES	112.8	166.7	129.1	(37.6)	(22.6)
NET EXP.	680.9	826.8	750.6	(76.2)	(9.2)
Approved Positions	6.0	8.0	8.0	0.0	0.0

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

Note: The Approved Positions do not include one temporary Waterfront Project Manager position funded through Technical Services

2006 Experience

The Waterfront Secretariat's preliminary year-end net favourable variance is \$0.076 million or 9.2% under the 2006 Approved Operating Budget.

- The net favourable variance of \$0.076 million is attributed to reduced expenses for salaries and benefits, contracted services and a lower than planned recovery from the Capital Budget. Of the \$0.076 million net under-spending, \$0.068 million is due to delays in the hiring of consultants for waterfront projects, in particular the West Don Lands Precinct Implementation due to project delays.

Impact of 2006 Operating Variance on 2007 Recommended Budget

- With resolution of project delays, the 2006 variance in gross expenditures and the resulting Capital recovery for revenues is not expected to have any impact on the 2007 Recommended Budget.

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

The Waterfront Secretariat's 3-Year Operating Budget directly supports the delivery of Council's priority – "Make Progress on the Waterfront". The Secretariat will continue to co-ordinate the resources necessary to advance, simplify and expedite Waterfront Revitalization Initiative by providing one-window access for Toronto Waterfront Revitalization Corporation and other orders of governments to all municipal programs, services and agencies involved in the Initiative.

- The strategic direction of the Waterfront Secretariat over the next three years is to continue to manage the resources necessary to advance Waterfront Revitalization, with a strong focus on "shovel-in-the-ground" activities. The Long Term Funding Plan for Waterfront revitalization, as approved by Council in July 2006 provides for the transformation of existing brownfields into vibrant, mixed-use, transit-friendly communities, with immediate results expected in East Bayfront and West Don Lands in 2007 and 2008. It also provides for the completion of Waterfront parks and public spaces in East Bayfront, West Don Lands, the Port Lands and the Central Waterfront by 2010.

The Secretariat will continue to oversee and facilitate all processes related to the Waterfront Revitalization Initiative, ensuring that the City's interests and priorities are protected and reflected in Revitalization efforts. It will continue to ensure that all City programs, agencies, boards, commissions and corporations assist in implementing the Initiative in a co-ordinated, efficient, and cost-effective manner, and that the City "speaks with one voice" on Revitalization. It will lead the processes required to implement the Waterfront vision.

Other than cost of living adjustments and merit and step increases, no other cost drivers forecasted to impact the Secretariat's 2008 and 2009 operating budgets and it is expected that 2007 service levels will be maintained.

Service Delivery - Challenges and Issues

Over the next 3 years, the Waterfront Secretariat will address the following challenges and issues:

- Advance, streamline, and expedite Waterfront renewal by providing support between all stakeholders involved in the Initiative.
- Ensure that the City effectively undertakes all steps necessary for the TWRC to achieve the deliverables outlined in its Long-Term Funding Plan (2006 – 2015), including the completion of parks and public spaces planned for the Waterfront by 2010.
- With the provincial and federal partners, ensure that issues of governance, funding, audit, accountability, risk management, environmental assessment, and land management are effectively addressed.
- With the City's Affordable Housing Office and TWRC, ensure that affordable housing targets are met across the Waterfront.

The western waterfront area is in need of a master plan to address the Mayor's mandate for a "Wonderful Waterfront City". A new service priority is recommended for the development of a Western Waterfront Master Plan, this will add \$0.200 pressure to the base budget for 2 years:

- The funding for the Western Waterfront Master Plan will permit completion of a comprehensive study to identify waterfront recreational and natural features to be supported in the future and the corresponding parks infrastructure requirements, and to address aquatic habitat, breakwall conditions, beach erosion, pedestrian & trail development, commercial uses, transit, parking, heritage, transportation, culture and marine uses.

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.	993.5	1,115.9	122.4	12.3	38.5	10.1
REVENUE	166.7	236.2	69.5	41.7	0.0	0.0
NET EXP.	826.8	879.7	52.9	6.4	38.5	10.1
Approved Positions	8.0	8.0	0.0	0.0		
NET TARGET		826.8			0.0	0.0
\$ Over / (Under) Program Target		52.9			38.5	10.1
% Over / (Under) Program Target		6.4%			4.7%	1.2%

Note: The Approved Positions do not include one temporary Waterfront Project Manager position funded through Technical Services

2007 Recommended Base Budget

The 2007 Recommended Base Budget of \$0.880 million net represents a 6.4% increase over Waterfront Secretariat’s 2006 Approved Base Budget while maintaining 2006 service levels.

- The additional \$0.122 million recommended base funding is needed to fund the annualized cost and final classification of the Technical Coordinator position, cost of living adjustments and merit and step increases. This increase in expenditures is offset by an increased revenue of \$0.069 million from the Waterfront Revitalization Initiative Capital Budget, resulting in a net increase of \$0.053 million.

2007 Base Budget Key Cost Drivers

- Cost-of-living adjustments (COLA) that average 3.25% for 2007 are non-discretionary expenditures that result in additional costs of \$0.028 million.
- Merit and step increases for existing Secretariat staff requires additional funds of \$0.026 million.

2008 and 2009 Outlook: Net Incremental Impact

The 2008 and 2009 Outlook identifies the known pressures to maintain the 2007 recommended level of service:

- To maintain service levels in 2008, impacts of \$0.039 million gross and \$0.039 million net or 4.7% will occur as a result of the 2007 Recommended Base Budget. The net increase is attributed to incremental increases to salaries and benefits resulting from COLA, merit and step increases and an additional working day in the 2008 calendar year.
- To maintain service levels in 2009, impacts of \$0.010 million gross and \$0.010 million net or 1.2% will occur as a result of the 2007 Recommended Base Budget. The net increase is attributed to incremental increases as a result of merit and step increases which have been somewhat offset by the loss of a working day in the 2008 calendar year. 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)

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 Services	0.0	0.0	0.0	0.0	0.0
(a) New Service Priorities - Council Approved					
Western Waterfront Master Plan	200.0	200.0		0.0	(200.0)
(b) New Service Priorities - Program Initiated					
Sub-Total New Service Priorities	200.0	200.0	0.0	0.0	(200.0)
Total Recommended New / Enhanced Service Priorities	200.0	200.0	0.0	0.0	(200.0)

2007 Recommended Service Priorities

Recommended New Service Priorities

New Service Priorities – Council Approved:

The \$400,000 Western Waterfront Master Plan will address Council's direction for a vision, comprehensive approach to decision-making, ecological restoration, stormwater and shoreline management, operations, maintenance, entrepreneurial opportunities, tourism, culture, heritage, habitat creation and urban forestry, as well as a public engagement strategy for the area from Marilyn Bell Park to the Humber River. The Waterfront Secretariat will fund \$200,000 in 2007 and \$200,000 in 2008. This priority will be led by the Secretariat, however it will be supported by Toronto Water, Parks Forest and Recreation and City Planning.

The western waterfront area for which the funding is requested is outside the legislated jurisdiction of the Toronto Waterfront Revitalization Corporation. Without this funding, the City is unable to meet Council's directives of September 25 to 27 and April 25 to 27, 2006 to develop a master plan for the western waterfront area. (Ref. P&F Report No. 7, Clause No. 12).

Issues for Discussion

2007 Operating Budget Issues

2007 Recommended Operating Budget vs. Guideline

The Waterfront Secretariat's 2007 Recommended Operating Budget is \$1.080 million net. This is 30.6% or \$0.253 million over target. This is composed of a base budget overage to target of \$0.053 million or 6.4% which is mainly due to the full year impact of the Technical Coordinator position approved in 2006 as well as the position's final classification which is fully recovered from capital. In addition, there are pressures for merit and step increases and a 3.25% COLA increase to staff salaries. The remainder of the variance to target is \$0.200 million which funds the new service priority for the Western Waterfront Master Plan. The reduction required to achieve the 0% target is \$0.053 million, (excluding the recommended new service priority). While it was proposed during the Administrative Review that the Program re-evaluate options to reach the 0% target, various options for reduction were examined and were deemed as having major impacts on the Program's deliverables. As a result it was determined that the Program should remain at 6.4% over the target excluding new service priorities.

Western Waterfront Master Plan

At its meeting on September 25, 26 and 27, 2006, Council adopted the staff recommendations contained in the Recommendations Section of the report, entitled "Steps Needed to Develop a Western Waterfront Master Plan and City-Wide Integrated Beach Management Strategy" (August 29, 2006) from the Deputy City Manager responsible for the Waterfront Revitalization Initiative.

The report noted that the cost of developing a Western Waterfront Master Plan, including civic engagement is up to \$0.400 million. In addition, funding for the City-Wide Integrated Beach Management Strategy is an additional \$0.200 million. The financial impact may be greater depending on the scope of work to meet Environmental Assessment requirements. It was requested that the Deputy City Manager responsible for Toronto Waterfront Revitalization identify the sources of funding for the total costs of \$0.600 million through the 2007 budget process.

Subsequent to the 2007 Budget submission, it was determined that this initiative should be planned and funded as two activities: Western Waterfront Master Plan (\$0.400 million gross and net) to be included in the Waterfront Secretariat's 2007 Recommended Operating Budget (\$0.200 million gross and net in 2007 and 2008) and the Beach Management Strategy (\$0.200 million gross and \$0 net) to be included with the Toronto Water's 2007 Recommended Operating Budget.

Don River Park Maintenance, Operating and Programming Reserve Fund

In August 2006, BMW held a fundraising casino night, with all proceeds going to the Toronto Parks and Trees Foundation for the Don River Park currently under construction and slated to open in 2008 in the West Don Lands. An amount of \$0.040 million was given "in trust" to the Toronto Parks and Trees Foundation to ultimately become part of a fund dedicated to the ongoing

maintenance, operations and programming of the Park. The funds must now be transferred from the Foundation to the City for the Don River Park.

It is recommended that a Don River Park Maintenance, Operations and Programming Reserve Fund be established with the purpose of receiving donations for maintenance, operations and programming activities in the park. Parks, Forestry and Recreation shall have primary responsibility for the reserve fund. The initial contribution will be \$0.040 million from donations previously made to the Toronto Parks and Trees Foundation for Don River Park which are to be transferred to the reserve fund upon its establishment. The contribution policy of this reserve fund will state that funds from public and private donors will be deposited as received in the reserve fund and the City will provide income tax receipts to all donors pursuant to the City's policies. Per the withdrawal policy for this reserve fund, funds will be withdrawn either as part of the normal operating budget process or through a specific report to City Council authorizing the purpose and amount of the withdrawal. This reserve fund shall be reviewed once every three years, and closed when the fund is depleted.

Outstanding Issues from 2006 and Prior Years

Toronto Waterfront Renewal Budget Impact Committee

During consideration of the 2006 Capital Budget for the Waterfront Revitalization Initiative, Council requested the Deputy City Manager for the Waterfront Revitalization Initiative and the Deputy City Manager & Chief Financial Officer report to Budget Advisory Committee on the process to identify operating budget impacts to City Programs, Agencies, Boards and Commissions resulting from the approval of the 2006 Capital Budget for Waterfront Revitalization Initiative and the 5-Year Capital Plan. It is anticipated that a staff report on this issue will be submitted to the Budget Committee on May of 2007.

Consequently, the Toronto Waterfront Renewal Budget Impact Committee was established. Its mandate is to ensure the long-term viability of public infrastructure created by the tri-government waterfront partnership by identifying, modeling and tracking ongoing operating and capital costs associated with maintaining, operating and restoring new public infrastructure; and identifying, evaluating and developing strategies to mitigate these budget impacts.

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	8.0	993.5	166.7	826.8		
In-year approvals and technical adjustments Corporate adjustments						
2006 Approved Operating Budget	8.0	993.5	166.7	826.8	0.0	0.0
Prior year impacts		68.1	38.3	29.8	16.2	10.1
Zero base items						
Economic factors		54.3		54.3	22.3	
Adjusted Base Budget	8.0	1,115.9	205.0	910.9	38.5	10.1
Other base changes			31.2	(31.2)		
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	31.2	(31.2)	0.0	0.0
2007 Recommended Base Budget	8.0	1,115.9	236.2	879.7	38.5	10.1
2007 Program Operating Target	N/A	N/A	N/A	826.8	0.0	0.0
% Over (Under) Program Target				6.4%	4.7%	1.22%
% Over (Under) 2006 Appvd. Budget				6.4%	4.7%	1.22%

Note: The Approved Positions do not include one temporary Waterfront Project Manager position funded through Technical Services

Appendix 2

Summary of Service Level Adjustments

Appendix 3

Summary of 2007 Recommended New / Enhanced Service Priorities