

# Analyst Briefing Notes

## Budget Committee

(March 26, 2007)

### 2007 OPERATING BUDGET

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**2007 OPERATING BUDGET****Executive Summary**

- The 2006 preliminary year-end actual net expenditures of \$59.597 million is \$0.371 million below the 2006 Approved Budget due mainly to lower diesel fuel expenses resulting from the operation of less bus mileage than planned, along with lower fuel costs.
  - Trip demand increased 6% in 2006 over the 2005 actual and is expected to continue to increase, creating a pressure of \$4.2 million for 2007.
- The 2007 Recommended Operating Budget of \$65.535 million net is comprised of base funding of \$65.535 million and no new/enhanced service priorities. This represents a \$5.567 million or 9.3% increase over the 2006 Approved Operating Budget of \$59.968 million.
  - The strategic direction of Wheel-Trans over the next three years is to provide specialized door-to-door transportation service for persons with the greatest need for accessible transportation. This will be accomplished through continuing integration and movement of trips on a volunteer basis, through travel training and assessment to take advantage of the fully accessible surface routes by 2011.

The TTC continues to face the following service delivery challenges:

- Trip demand is increasing at an unsustainable 7%
  - Impact of traffic congestion on vehicle productivity
  - Ageing fleet with no new buses until 2008
  - Improving the quality of accessible taxi service
  - Target unaccommodated rate of 2% is not being met
  - 2007 Recommended Operating Budget is over target by \$5.567 million
- Additional net expenditures of \$5.567 million over the \$59.968 million 2006 Approved Operating Budget, are recommended for the Program's 2007 Base Budget which are needed to fund annualizations, merit and step increases, COLA and inflation. This budget addresses the increased demand by providing for the expansion of zone areas, express bus and service depots, adding one Community Bus, increased peak-period service, easier telephone trip-booking through an 'express trip' booking feature, the introduction of internet trip booking and enhancements to the scheduling system. In addition, Wheel-Trans continues to focus on integrating trips with the conventional service and has included the establishment of an 12 Accessible Transit Centre and travel training program. These initiatives are key to Wheel-Trans meeting its target unaccommodated rate of 2% in 2007.

**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
	\$	\$	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	63,009.1	62,515.0	68,771.3	0.0	68,771.3	5,762.2	9.1	6,100.0	5,400.0
<b>REVENUE</b>	3,040.8	2,918.0	3,236.5	0.0	3,236.5	195.7	6.4	200.0	200.0
<b>NET EXP.</b>	59,968.3	59,597.0	65,534.8	0.0	65,534.8	5,566.5	9.3	5,900.0	5,200.0
<b>Approved Positions</b>	416.0	429.0	459.0	0.0	459.0	43.0	10.3	n/a	n/a
<b>TARGET</b>			<b>59,968.3</b>		<b>59,968.3</b>				
<b>\$ Over / (Under) Program Target</b>			<b>5,566.5</b>		<b>5,566.5</b>				
<b>% Over / (Under) Program Target</b>			<b>9.3%</b>		<b>9.3%</b>				

Source: \*Projected Actuals Based on Preliminary Year-End Actual Expenditures.

- The TTC is responsible for the Conventional and Wheel-Trans systems. The Conventional Operating Budget is treated in a separate set of Analyst Notes. Using 144 specially equipped low-floor buses and contracted taxi services that include 110 accessible and 40 sedan taxis, Wheel-Trans provides transportation to persons with disabilities based on the individual’s physical functional mobility.
- The 2007 Recommended Base Budget is \$65.535 million net and no new or enhanced initiatives have been recommended for 2007.
  - The 2008 outlook provides for increases in salaries and benefits in accordance with collective agreements until March 31, 2008 when the current three-year agreement ends. There is no salary increase factored into the 2008 outlook after March 2008 and there is no salary increase factored into the 2009 outlook. However, a 1% increase in the Cost of Living Allowance will result in \$0.4 million in additional salary and benefits costs.
- Key cost drivers for 2007 include:
  - Increased wages from the 3% Collective Agreement awarded April 1, 2006 of \$0.2 million, increased wages in 2007 of \$0.8 million and \$0.2 million for increases in the pension contribution rate.
  - Inflationary increases of \$1 million that are primarily for taxi contracts of \$0.5 million and fuel of \$0.2 million.
  - An estimated 7% increase in trip demand, which will require \$4.2 million in funding including: \$1.3 million increase in usage of contract services, \$1.4 million for higher operator and dispatching reservationist costs; \$0.5 million in higher employee benefit costs associated with the increased labour costs; and \$0.5 million for mileage costs for increased maintenance and fuel.
  - Average revenue per ride decreasing as a result of greater use of passes.

- Impact of longer trips and congestion limiting vehicle productivity.
- There are no recommended service level adjustments to bring this budget closer to the 2007 0% target.
- The 2007 Recommended Operating Budget will provide:
  - Wheel-Trans ridership of 2.186 million rides, up 9.7% from the 2006 actual level
  - High capacity bus service accommodating 53% of all trips
- Balance of passengers carried on contracted services using accessible and sedan taxis
  - 6 Routes for fixed route community bus service, serving local community areas populated with a concentration of hospitals, seniors homes, malls and medical facilities
  - An unaccommodated rate of 2%

**Recommendations**

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Operating Budget for Wheel-Trans of \$68.771 million gross and \$65.535 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Contract Services	19,203.0	17,847.3
Bus Operation	31,721.1	29,840.3
Administration	6,300.2	6,300.2
Non-Departmental	2,897.0	2,897.0
Other Employee Costs	8,650.0	8,650.0
	<hr/>	<hr/>
Total Program Budget	68,771.3	65,534.8

2. the Interim Chief General Manager of the Toronto Transit Commission report back to Executive Committee as part of the 2008 Operating Budget process on the strategies to address the continuing increase in demand for Wheel-Trans trips and associated costs including options to migrate passengers to the TTC's conventional system; and,
3. the Interim Chief General Manager of the Toronto Transit Commission report back to Executive Committee as part of the 2008 Operating Budget process on the development of a 3-year Operating Plan based on ridership and service plans that would be updated annually to take into account expected trends in salary costs, fuel costs and general inflation.

## 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	
	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	55,950.1	63,009.1	62,515.0	(494.1)	(0.8)
<b>REVENUES</b>	2,731.5	3,040.8	2,918.0	(122.8)	(4.0)
<b>NET EXP.</b>	53,218.6	59,968.3	59,597.0	(371.3)	(0.6)
<b>Approved Positions</b>	408.0	416.0	429.0	13.0	3.1

Source: \*Projected Actuals Based on Preliminary Year-End Actual Expenditures.

### 2006 Experience

Wheel-Trans has reported a preliminary year-end net favourable variance of \$0.371 million or 0.6% of the 2006 Approved Operating Budget.

The net favourable variance is primarily attributed to:

- Door-to-door passenger trips of 1.897 million versus a budgeted 1.904 million trips. This resulted in an unaccommodated rate of 3.2% which was significantly higher than the 2% budgeted rate.
- lower diesel fuel expenses of \$0.413 million resulting from the operation of less than planned bus mileage along with lower unit costs for fuel.
- Passenger fares were \$0.123 million less than budgeted due to fewer trips and a lower average revenue per trip than budgeted.

### Impact of 2006 Operating Variance on 2007 Recommended Budget

Growth in 2006 will impact the 2007 Recommended Operating Budget. Additional funding of \$4.2 million is required in 2007 in order for Wheel-Trans to meet continued growth in demand in excess of 7% and at the same time maintain the target unaccommodated rate of 2%. At the same time, Wheel-Trans revenue growth is not keeping pace with the growth in expenditures, due in part to average revenue per ride decreasing as more Wheel-Trans riders use passes. Wheel-Trans expenditures will be 9.1% greater than the 2006 budget while revenues will be 6.4% greater than the 2006 budget.

## Section B: 2007 Operating Budget Overview

### 3-Year Operating Budget Overview

Wheel-Trans Operations is the division of TTC responsible for the provision of specialized door-to-door transportation service for persons with the greatest need for accessible transportation, as established by a set of eligibility standards based upon an individual's physical functional mobility. Transportation services are provided within the City of Toronto boundaries, to the Airport, and to established boundary transfer points in order to co-ordinate trips with specialized transit services to and from the Greater Toronto Area (GTA).

- The 2007 Recommended Operating Budget will provide:
  - A fleet of 144 large capacity economical low-floor buses and 100 accessible taxis and 40 sedan taxis under contracted service to provide 2.186 million Wheel-Trans rides, up 194,200 trips or 9.7% from 2006.
  - High capacity bus service accommodating 53% of all trips with the balance of passengers carried by contracted taxis using accessible and sedan taxis
  - 6 Routes for fixed route community bus service, serving local community areas populated with a concentration of hospitals, seniors homes, malls and medical facilities
  - An unaccommodated rate of 2%, or 41,900, down from the actual 2006 unaccommodated rate of 3.2%.
  - The expansion of zone areas, express bus and service depots, adding one Community Bus, increased peak-period service, easier telephone trip-booking through an 'express trip' booking feature, the introduction of internet trip booking and enhancements to the scheduling system all of which are expected to increase vehicle productivity.
  - The establishment of an Accessible Transit Centre and travel training program in order to continue to focus on integrating trips with the conventional service on a volunteer basis.

- The Outlook for 2008 and 2009

Wheel-Trans plans to fund an unaccommodated rate of 2% for the next two years even though demand for trips continues to increase. This demand will continue to increase as the "baby boom" cohort ages and relies increasingly on Wheel-Trans for transportation. A 6% increase in demand over the 2005 actual for Wheel-Trans trips in 2006 cannot be sustained over the long term. Wheel-Trans needs to find ways to migrate its passengers off Wheel-Trans and onto the TTC's conventional transit system. Wheel-Trans is instituting operational changes such as Accessible Trip Planning to encourage passengers to move to the conventional TTC. Wheel-Trans is also introducing new service models in order to achieve efficiencies in its operations. Wheel-Trans will continue to integrate all its services with conventional transit and in the short-term will continue to use the 'work with' approach until the entire transit system and community infrastructure becomes more accessible.

**Service Delivery - Challenges and Issues**

Wheel-Trans will experience a continued increase in the number of registrants, with an anticipated 7,500 more people registering in 2007. In turn, the demand for trips will also increase, surpassing the 2 million mark to 2,099,200 trip requests. Some 76% of Wheel-Trans registrants will be over the age of 65 years and this percentage is expected to continue to grow as the population of the City of Toronto ages. In addition almost half will be ambulatory.

At the same time as Wheel-Trans has increasing demands from registrants, it will strive to maintain its service levels. This budget provides for Wheel-Trans' primary service measure, the unaccommodated rate, to be maintained at its traditional target rate of 2%. Even with the funding of increased costs included in the 2007 Recommended Operating Budget, on-time service delivery will decrease slightly from 96% in 2006 to 94% in 2007. As well, accessible service will decline from 88.0% to 87.5%.

To improve service quality, Wheel-Trans will introduce a new taxi service delivery model. It will expand its automated trip booking system to allow passengers to book trips online, increasing both productivity and service quality. Funding has been provided in the TTC Capital Budget for the installation of surveillance cameras on Wheel-Trans vehicles. These cameras will improve safety and security for both passengers and operators.

In 2007, Wheel-Trans will also upgrade its scheduling system and provide accessible transit training in an effort to encourage the migration of Wheel-Trans passengers to the Commission's accessible transit system.

To this end, the TTC has been requested to report back to the Executive Committee with the 2008 Operating Budget Process with a 3-year Operating Plan based on the ridership and service plans which would be updated annually to take into account expected trends in salary costs, fuel costs and general inflation.

The 2007 Recommended Operating Budget for Wheel-Trans directly advances the provision of accessible transit which is one of the priorities outlined in the Mayor's Mandate.

**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
	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	63,009.1	68,771.3	5,762.2	9.1	6,100.0	5,400.0
<b>REVENUE</b>	3,040.8	3,236.5	195.7	6.4	200.0	200.0
<b>NET EXP.</b>	59,968.3	65,534.8	5,566.5	9.3	5,900.0	5,200.0
<b>Approved Positions</b>	416.0	459.0	43.0	10.3	n/a	n/a
<b>NET TARGET</b>		<b>59,968.3</b>				
<b>\$ Over / (Under) Program Target</b>		<b>5,566.5</b>				
<b>% Over / (Under) Program Target</b>		<b>9.3%</b>				

**2007 Recommended Base Budget**

The 2007 Recommended Base Budget of \$65.535 million net represents a 9.3% increase over Wheel-Trans’ 2006 Approved Budget while maintaining the 2006 service level target of a 2% unaccommodated rate. This budget funds an expected 9.6% growth in ridership in 2007.

- The additional \$5.762 million expenditures recommended for the Program’s Base Budget is needed to fund merit and step increases, union settlements, wage increases for exempt staff, and inflation, as well as other base changes.
- The \$0.196 million increase in revenues is comprised of a \$0.247 million increase for the budgeted increase in passengers; and a \$0.051 million decrease in the average fare per passenger.
  - Ridership is estimated to increase from the 2006 budget by 164,200 or by 8.1% to 2.186 million in 2007.
  - The unaccommodated rate is maintained at the 2006 target rate of 2% (the actual unaccommodated rate in 2006 was 3.2% due to increase in demand)
  - The average fare will decrease from \$1.50 to \$1.48 reflecting the increased usage of Metropasses.

**2007 Key Cost Drivers**

The 2007 Recommended Base Budget represents an increase of approximately \$5.567 million, or 9.3% over the 2006 Approved Budget. This increase is attributed to the following:

- An estimated 7.8% increase in trip demand, combined with the impact of longer trips and congestion, will require funding of \$4.200 million.
- Maintaining the unaccommodated rate to 2% will require: a \$1.3 million increase for usage of contract services, a \$1.4 million increase for higher operator and dispatching reservationist costs; \$0.5 million in higher employee benefit costs associated with the increased labour costs; and \$0.5 million for mileage costs for increased maintenance and fuel.
- Taxi contracts will increase \$0.5 million and fuel costs will increase \$0.2 million.
- Revenue is not keeping pace with expenditures as the number of trips increases and the average fare per ride is decreasing as a result of greater use of passes. Revenue will increase \$0.196 million or 6.4%, while gross expenditures are increasing at 9.1%.
- Increased wages from the 3% Collective Agreement awarded April 1, 2006 of \$0.2 million, increased wages in 2007 of \$0.8 million and \$0.2 million to fund an increase in the pension contribution rate.

These increases are offset by a \$0.600 million decrease in property tax payments given that Wheel-Trans facilities are now being considered exempt from property taxes effective January 1, 2007 as a result of the new City of Toronto Act. It is important to note that this means that the payments in lieu of taxes to the City will decrease by the same amount.

**2008 and 2009 Outlook: Net Incremental Impact**

The 2008 and 2009 Outlook assumes continuing strong trip demand while maintaining a 2% unaccommodated rate.

**Issues for Discussion**

**2007 Operating Budget Issues**

**Increased Trip Demand**

**2007 Ridership Overview Plan**

	<b>2006 Budget</b>	<b>2006 Actual</b>	<b>2007 Budget</b>	<b>Level Change</b>	<b>Percent Change</b>
<b>Customer Demand</b>	1,947,300	1,962,500	2,099,200	136,700	7.0%
<b>Unaccommodated Rate</b>	2.0%	3.2%	2.0%	N/A	N/A
<b>Passengers Carried (Registrants)</b>					
<b>Bus</b>	999,500	915,700	1,076,800	161,100	16.1%
<b>Accessible Taxis</b>	675,900	700,300	718,000	17,700	2.6%
<b>Sedan Taxis</b>	228,500	280,700	257,300	-23,400	-10.2%
<b>Community Bus</b>	118,100	95,300	134,100	38,800	32.9%
<b>Total Ridership</b>	<b>2,022,000</b>	<b>1,992,000</b>	<b>2,186,200</b>	<b>194,200</b>	<b>9.6%</b>

Wheel-Trans will continue to be faced with a significant increase in demand for service. The demand for service in 2007 is projected to increase by 136,700 trips to 2.099 million trips from 1.962 million trips experienced in 2006. The total number of riders actually taken on Wheel-Trans is expected to increase by 9.7% to 2.186 million riders in 2007. This trend will not only continue in the future, but will accelerate as the “baby boom” cohort ages. The current trend is unsustainable for Wheel-Trans. The Program is faced with the need to change its method of service delivery and to seek efficiencies in the way it runs its operation.

Compounding the problem is that few Wheel-Trans trips are discretionary with 57% for medical appointments, 21% social, 14% for shopping and 8% for work or school. At the same time, Wheel-Trans is committed to maintaining its service standards. The 2007 Recommended Operating Budget facilitates Wheel-Trans decreasing its actual unaccommodated rate. The target for the unaccommodated rate (the number of passengers who requested a ride but were not able to be accommodated due to capacity constraints) was 2% in 2006 and this budget has maintained the 2% target for the unaccommodated rate, which will translate into 41,900 passengers being unaccommodated during 2007. However, as the following chart shows, the actual unaccommodated rate has generally been 3% or higher in the last 5 years.

Wheel-Trans Unaccommodated Rate

<u>Year</u>	<u>Passengers</u>	<u>Total</u>	<u>Rate</u>
	<u>Unaccommodated</u>	<u>Demand</u>	
2002	48,700	1,597,500	3.0%
2003	49,700	1,558,500	3.2%
2004	45,300	1,756,500	2.6%
2005	60,200	1,854,300	3.2%
2006	62,000	1,962,500	3.2%
2007	41,900	2,099,200	2.0%

### **Migrating Wheel-Trans Riders to the Conventional TTC System**

An avenue that Wheel-Trans will explore to deal with the increased demand in 2007 and also expected future trip demand is to move passengers from its system to the TTC's conventional system. The TTC is in the midst of a large capital project to retrofit all 69 TTC subway stations with elevators in order to make them fully accessible by 2020. This Easier Access project will, in Phases II and III, cost \$448 million. As well, the TTC is in the process of buying accessible buses, 320 of which will go into service in 2007. The City has also committed to purchasing 204 new fully-accessible streetcars for over \$1.2 billion. With this massive investment in making the conventional TTC service modes accessible, it is necessary for Wheel-Trans to migrate as many of its current and potential passengers as possible to the conventional system.

To accomplish this migration of passengers, Wheel-Trans is initiating operational changes. For instance, in this budget, there is funding of \$0.300 million gross and net to familiarize Wheel-Trans registrants on how to use the accessible features of the TTC's conventional system. Wheel-Trans is initiating this orientation in order to encourage registrants who are able to use the subway to do so. This is part of Wheel-Trans' initiative to transfer trips to other service modes in order to reduce the growth in service demand. However, to be fully successful in migrating passengers, Wheel-Trans needs to create a comprehensive multi-year plan.

It is recommended that the Interim Chief General Manager of the Toronto Transit Commission report back to Executive Committee as part of the 2008 Operating Budget process on strategies to address the continuing increase in demand for Wheel-Trans trips and associated increased costs of migrating passengers to the TTC's conventional system.

**2007 Recommended Operating Budget Versus the 2007 Guidelines of a 0% Increase**

Wheel-Trans staff will increase from 416 budgeted in 2006 to 459 in the 2007 budget or 10.3%. 38 of these staff will be operators to deal with increased service demand. However, 5 of the new positions are required to address decreased bus productivity and the aging fleet: two operators, one dispatcher and two coach technician positions. In order for the Wheel-Trans service to be sustainable over the long term, Wheel-Trans needs to find ways to avoid growing its staff complement each year.

The 2007 Recommended Operating Budget is \$5.567 million over the 2006 approved budget of \$59.968 million net. No reduction options or revenue changes have been proposed by the TTC to meet the City's target for 2007. Wheel-Trans needs to find additional ways to reduce its expenditure increases to meet its target. One way that this can be achieved is by examining actual spending in 2006 in order to determine if Wheel-Trans actual 2006 experience can be used as a basis for budget reductions in 2007.

**Future Year Outlook Issues**

The 2008 and 2009 outlooks are primarily driven by the increase in service demand of 7% while maintaining a 2% unaccommodated rate. The 2008 outlook provides for increases in salaries and benefits in accordance with collective agreements until March 31, 2008 when the current three-year agreement ends. There is no salary increase factored into the 2008 outlook after March 2008 and there is no salary increase factored into the 2009 outlook. However, a 1% increase in the Cost of Living Allowance will result in \$0.4 million in additional salary and benefits costs. The outlook assumes that inflation will remain at the same rate.

The outlook for 2008 is as follows:

- \$0.300 million for COLA and other wage increases
- \$1.200 million for inflation
- \$1.300 million for increase in usage of contract services
- \$1.900 million for additional operators and dispatcher/reservationists to handle 2008 demand growth
- \$0.400 million in annualizations for 2007 additional staff salaries and benefits
- \$0.500 million for increased maintenance and fuel
- \$0.500 million for other increases

The outlook for 2009 is as follows:

- no provision for COLA and other wage increases
- \$1.200 million for inflation
- \$1.300 million for increase in usage of contract services
- \$1.900 million for additional operators and dispatcher/reservationists to handle 2009 demand growth
- \$0.500 million for increased maintenance and fuel
- \$0.500 million for other increases.

These financial pressures in future years clearly demonstrate the need for Wheel-Trans to address escalating costs as the growth rate is unsustainable given the City's financial constraints.

## 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
		\$	\$	\$	\$	\$
<b>2006 Council Approved Operating Budget</b>	<b>416.0</b>	<b>63,009.1</b>	<b>3,040.8</b>	<b>59,968.3</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments	0.0	0.0	0.0	0.0		
Corporate adjustments	0.0	0.0	0.0	0.0		
<b>2006 Approved Operating Budget</b>	<b>416.0</b>	<b>63,009.1</b>	<b>3,040.8</b>	<b>59,968.3</b>		
Prior year impacts		500.0	0.0	500.0		
Zero base items				0.0		
Economic factors		1,700.0	0.0	1,700.0	1,500.0	1,200.0
<b>Adjusted Base Budget</b>	<b>416.0</b>	<b>65,209.1</b>	<b>3,040.8</b>	<b>62,168.3</b>	<b>1,500.0</b>	<b>1,200.0</b>
Other base changes	43.0	3,562.2	0.0	3,562.2	4,600.0	4,200.0
Base revenue changes	0.0		195.7	(195.7)	(200.0)	(200.0)
Recommended Service Level Adjustments:						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
<b>Total Recommended Base Adjustments</b>	<b>43.0</b>	<b>3,562.2</b>	<b>195.7</b>	<b>3,366.5</b>	<b>4,400.0</b>	<b>4,000.0</b>
<b>2007 Recommended Base Budget</b>	<b>459.0</b>	<b>68,771.3</b>	<b>3,236.5</b>	<b>65,534.8</b>	<b>5,900.0</b>	<b>5,200.0</b>
<b>2007 Program Operating Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>59,968.3</b>		
<b>% Over (Under) Program Target</b>				<b>9.3%</b>		
<b>% Over (Under) 2006 Appvd. Budget</b>				<b>9.3%</b>		

**Appendix 2**

**Summary of Service Level Adjustments**