

CITY OF TORONTO

2007 Recommended Operating Budget

March 26, 2007

Agenda

1. Introduction
2. How the 2007 Budget was Developed
3. Fiscal Challenges
4. 2007 Recommended Operating Budget
5. Achieving Financial Sustainability
6. Conclusion

Introduction

- Given Provincial budget announcement City's budget is not sustainable
- Fundamental structural financial problem of the City recognized by the Board of Trade, Conference Board of Canada and TD Bank
- Proposed budget continues to rely on overuse of one-time revenues such as reserve funds
- Unacceptable level of property tax revenues redirected to provincial cost shared programs at the expense of core municipal services – roads, parks, recreation and garbage collection

How the 2007 Operating Budget Was Developed

2007 Operating Budget – Executive Committee Guidelines and Directions

- Achieve target of *Zero* net increase over 2006
- Maintain continuous improvement initiatives
- Maintain approved services and service levels
- Consider modest investment in new and enhanced services that deliver on the Mayor's mandate and Council's Policy Agenda

CM and DCM-CFO 2007 Budget Review Approach

- CM & DCM-CFO reviewed budget under 4 broad categories:
 - ✓ Municipal Services
 - ✓ Emergency Services
 - ✓ TTC
 - ✓ Provincially Mandated Programs

CM and DCM-CFO 2007 Budget Review Approach

- Strategies to achieve target:
 - Efficiencies
 - Performance Measures
 - Benchmarking – measuring performance against others - OMBI / MPMP
 - User fee increases to maximize cost recovery
 - Program Reviews
- Ensured that any new and enhanced City building initiatives were aligned with Council and Mayor's highest priorities
- As a result, 50% of Programs and ABCs net budgets have either no increase or less than 2%

2007 Recommended Net Expenditure Increase by Categories

- Provincially Mandated Programs
 - 11.5% net increase (before reserve draws)
 - Significantly draw on property tax revenues
- Transit
 - 10.3% net increase - growth in ridership revenues lags behind gross expenditure increase putting pressure on the net budget
- Emergency Services
 - 4.0% net increase driven by Toronto Police and Fire Services
- Municipal Services
 - 4.3% net increase – primarily due to Solid Waste Diversion, and Parks, Forestry and Recreation

Evaluating Service Delivery - Continuous Improvement

- In areas where costs seem high compared to others, operations are continuously examined to make efficiency improvements such as:
 - Winter maintenance of roads - salt management initiatives to optimize salt usage through the use of technology on vehicles and pre-wetting of salt to make more effective
 - Road maintenance - new street sweeping equipment, technology and routing expected to reduce costs and also examining alternatives for diversion of residue material
 - Solid Waste Diversion - implement efficiencies at Organics Processing Facility to increase the processing capacity of source separated organics. Examining optical sorting technology to improve mechanical sorting of single stream materials.
 - Solid Waste Disposal - compress hours of operation at transfer stations to eliminate need for night shift
 - Wastewater Treatment - have implemented energy efficiency measures and are continuing to do so where possible

Evaluating Service Delivery - Benchmarking

- The City examines its performance:
 - Internally
 - Externally, relative to other municipalities
- Results from the Provincially Mandated, Municipal Performance Measurement Program (MPMP) and the Ontario Municipal CAOs Benchmarking Initiative (OMBI) reveals that Toronto compares favourably against other Ontario municipalities
- Performance measures necessary and integral part of budget preparation and review process
- Measures are included in budget documents, and OMBI & MPMP results will also be subject of April/May report to Executive Committee

Evaluating Service Delivery - Ontario Municipal CAOs Benchmarking Initiative

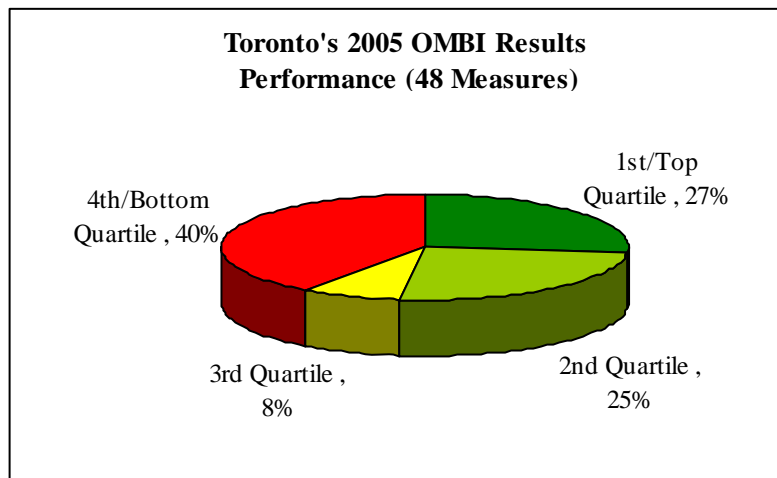
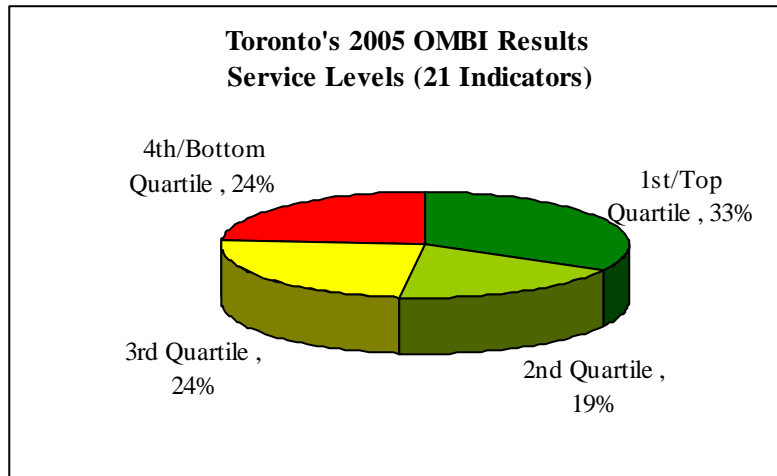
- Initiated by Single Tier and Regional CAOs
- 15 municipalities representing 70% of Province's population
- Examining performance data in 25 operating programs and 8 program support areas
- 435 high-level and detailed measures based on 2005 data
 - Service Levels (approx. 220)
 - Efficiency
 - Customer Service
 - Community Impact
- Joint report issued by CAOs & City Managers in January 2007

Evaluating Service Delivery - Joint OMBI Report



- Comparative results of 15 municipalities
- Covers 12 service areas
- Includes:
 - 21 service level indicators
 - 48 efficiency, customer service and community impact measures
- April/May report to Executive Committee will expand on this and also examine historical trends

Evaluating Service Delivery - Toronto's 2005 OMBI Results



- For service levels, results have been sorted highest service levels being the desired goal
- Higher than median in 52% of service level indicators.
- Better than median in 52% of efficiency, customer service and community impact measures

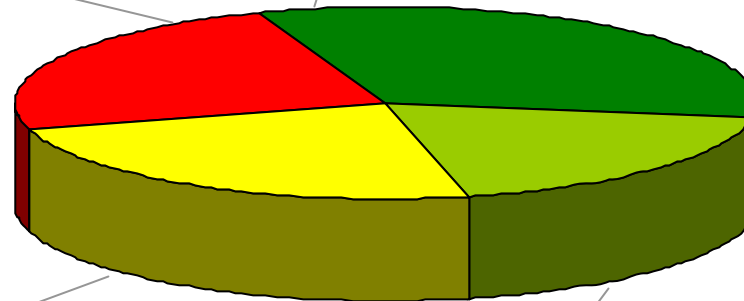
Evaluating Service Delivery - Toronto's 2005 OMBI Results- Service Levels (21 Indicators)

In fourth/bottom quartile – 24% (5 measures)

- low # of fire vehicle hours per capita
- low # of library hours per capita
- low # of road lane km. per 1,000 population
- low # of large sports & rec. community centres per 100,000 pop'n
- low # of indoor ice pads per 100,000 pop'n

In first/top quartile- 33% (7 measures)

- high childcare investment per child
- high # of medical incidents responded to by fire per 1,000 pop'n
- high number of library holdings per capita
- high # of police staff (officers and civilians) per 100,000 pop'n
- high rate of social assistance cases
- high rate of registered sports and recreation programming offered per capita
- high # of transit vehicle hours per capita



In third quartile – 24% (5 measures)

- lower number of rescue incidents responded to by fire per 1,000 pop'n
- lower number of other incidents responded to by fire per 1,000 pop'n
- lower municipal share of all long term care beds
- lower # of small sports & rec. community centres per 100,000 pop'n
- lower volume of wastewater treated per 100,000 population

In second quartile – 19% (4 measures)

- higher # of total incidents responded to by fire per 1,000 pop'n
- higher # of fires/explosions/alarms incidents responded to by fire per 1,000 pop'n
- higher number of indoor pool tanks per 100,000 pop'n
- higher volumes of drinking water treated per 100,000 pop'n

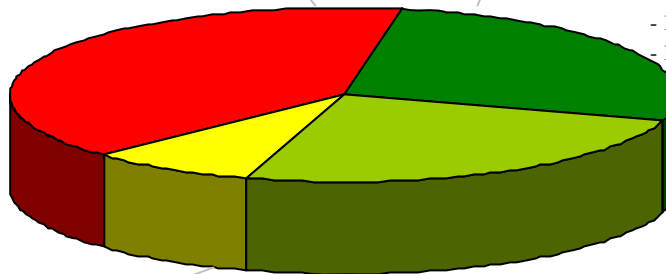
Evaluating Service Delivery - Toronto's 2005 OMBI Results -Performance (48 Measures)

In fourth/bottom quartile – 40% (19 measures)

- High cost of fire per in-service vehicle hour
- Low # long term beds relative to population >75 years of age
- High rate of violent crime
- High rate of total criminal code offences
- High annual rate of increase in violent crime
- Decrease in annual property crime rate was not as large
- Decrease in annual total crime rate was not as large
- Low number of criminal code offences in municipality per officer
- High rate of traffic congestion on roads
- High cost of winter maintenance of roads
- High cost of social assistance benefits per case
- High cost of solid waste disposal per tonne
- High cost of solid waste diversion per tonne
- High transit cost per vehicle hour
- High transit cost per revenue vehicle hour
- High cost of wastewater collection per km of pipe
- High cost of water distribution per km of pipe
- High rate of watermain breaks per 100 km of pipe
- High time period on social assistance

In first/top quartile- – 27% (13 measures)

- low rate of fire related injuries
- high usage rate of circulating library materials
- high electronic library uses per capita
- high non-electronic library uses per capita
- high total library uses per capita
- low library cost per use
- high rate of long term care resident satisfaction
- low rate of youth crime
- high pavement quality of roads
- low administrative cost per social assistance case
- high # of transit trips per capita
- low transit cost per passenger trip
- low cost of drinking water treatment per megalitre



In second quartile – 25% (12 measures)

- higher number of regulated childcare spaces per 1,000 children
- lower cost per subsidized childcare space
- lower fire response time
- lower rate of fire related deaths
- lower rate of residential structural fires
- lower long term care cost per bed day
- lower rate of property crime
- lower time period for social assistance client eligibility responses
- higher percentage of residential solid waste diverted
- lower cost of solid waste collection per tonne
- higher utilization rate of registered sports and recreation programming
- higher % of capacity utilized for registered sports and recreation

In third quartile – 8% (4 measures)

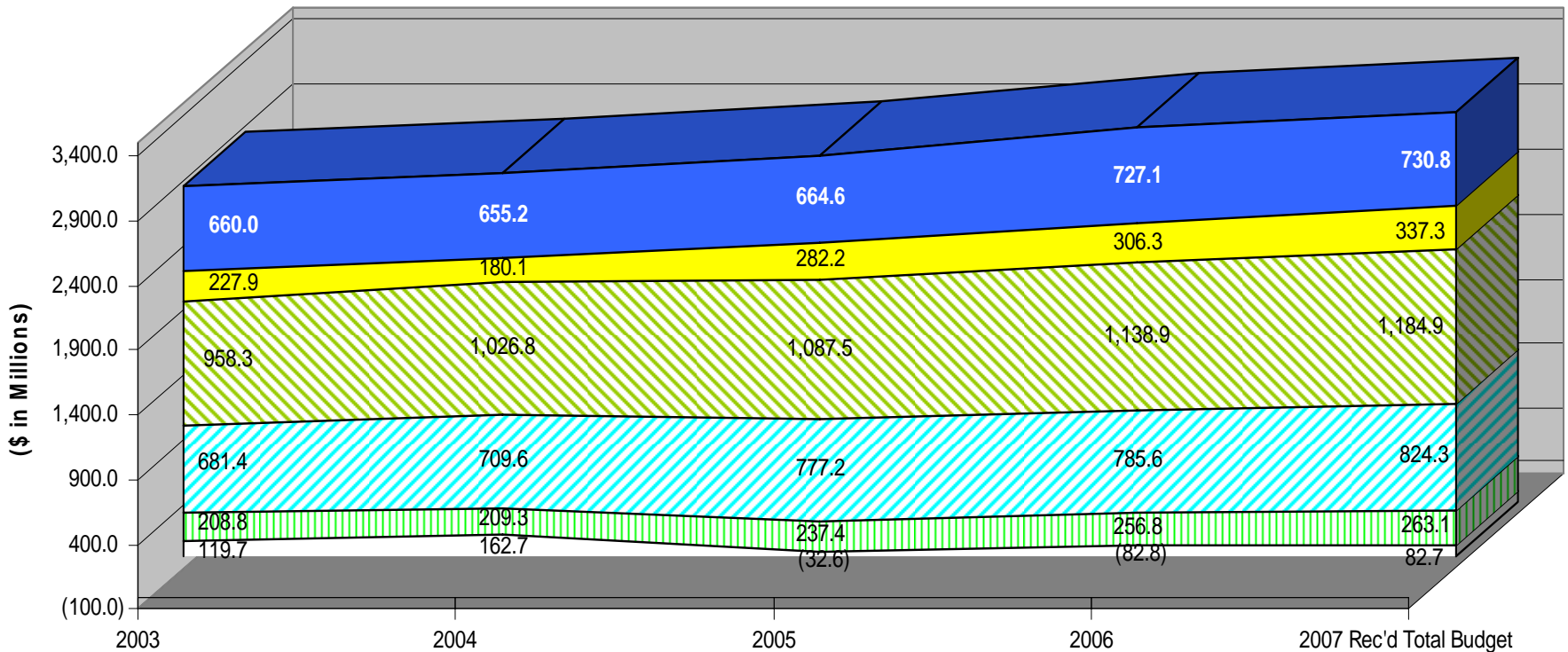
- higher total cost per social assistance case
- lower % of population using registered sports and recreation programming
- higher cost of wastewater treatment per megalitre
- higher rate of wastewater main back-ups per 100 km of pipe

Evaluating Service Delivery - Program Review

Program Review	Completed	Under-way	Future Candidate
Children's Services - organizational restructuring	✓		
Court Services - administrative restructuring	✓		
Human Resources - new mandate and organizational restructuring	✓		
Strategic Communications - new mandate and organizational restructuring			
Social Development, Finance & Administration - Community Partnership and Investment Program Standards and Performance Measures Update	✓		
Toronto Animal Services - review of appropriate placement within administrative structure, service needs, etc.		✓	
Economic Development, Culture and Tourism - to provide clarity of mandate, priorities and structure and outline options for the future		✓	
Parks, Forestry & Recreation - review full cost model for recreation programs		✓	
Accounting Services - review organizational structure and services		✓	
Information & Technology - organization review and service rationalization	✓		
Integrated Inspection, Enforcement and Prosecution - <i>review the eight divisions</i>		✓	
Fire Services and Emergency Medical Services - review management and administrative structures		✓	
Fleet Services			✓
Financial Planning Process (Citywide)			✓
Transportation Services - review programs and activities			✓
Shelter, Support & Housing Administration			✓

70% of Property Taxes Spent on Emergency Services, Transit and Mandated Services

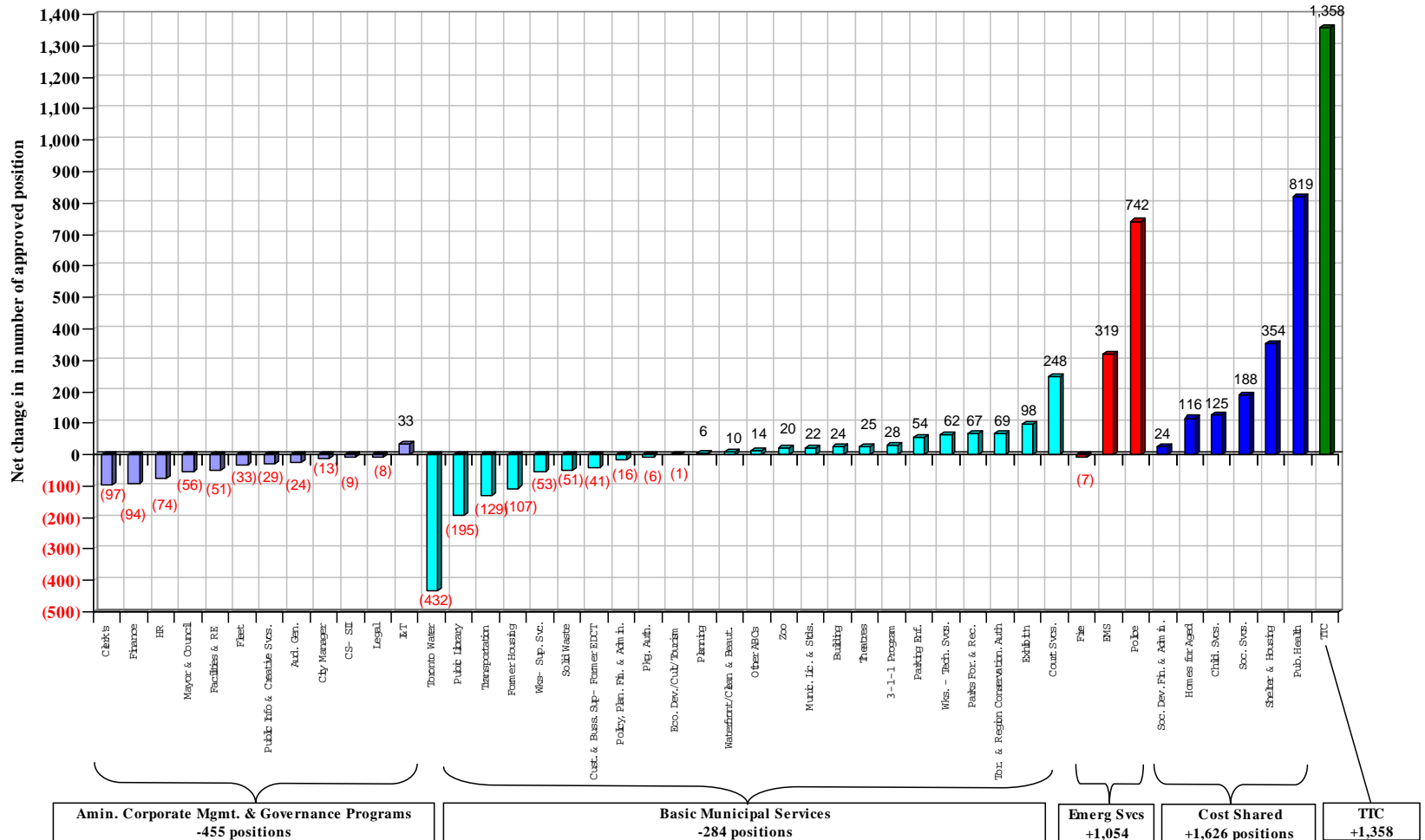
- Corporate Accounts
- Administrative Services
- ▨ Municipal Services
- ▨ Emergency Services
- Transit
- Provincially Mandated / Cost Shared Programs



2007 Recommended Operating Budget

Staffing Growth Controlled

City of Toronto
Net Change in Number of Approved Positions by Program
From Inception of New City - 1998 through 2006 (Net Increase of 3,299 Positions)



Admin. Corporate Mgmt. & Governance Programs
-455 positions

Basic Municipal Services
-284 positions

Emerg Svcs
+1,054

Cost Shared
+1,626 positions

TTC
+1,358



Summary

- We've done our due diligence:
 - Efficiencies achieved every year
 - Performance measured and benchmarked against other municipalities
 - Program reviews and continuous improvement in place
 - User fees increased - \$4.0 million or 1% increase
- Net change in approved positions over the past 9 years have decreased for municipal services, and increased for Cost-shared, Transit and Emergency Services
- To achieve fiscal balance the Province must fulfill its responsibilities
- Not acceptable to continue using property tax to pay for provincially mandated programs

Fiscal Challenges

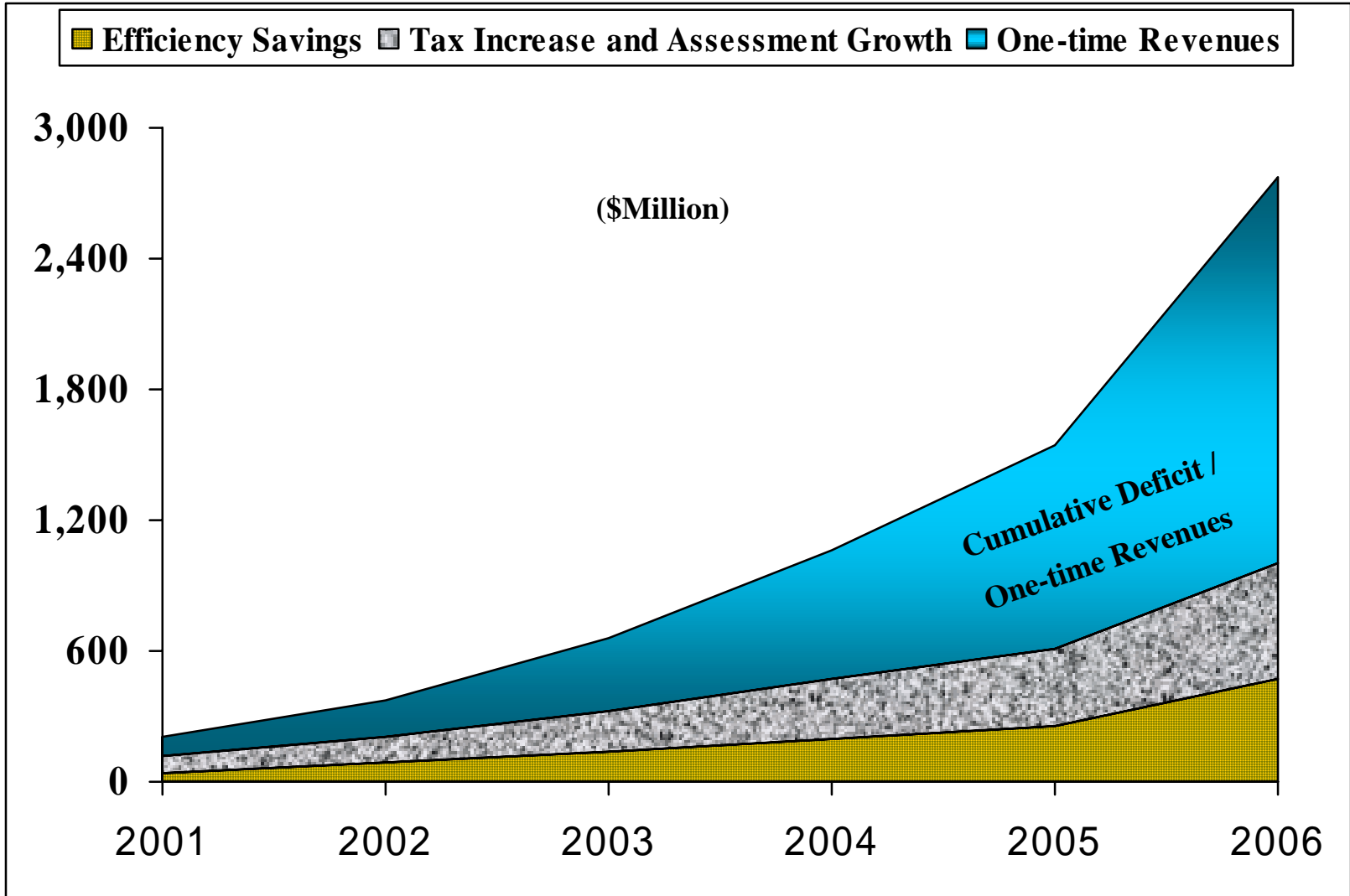
Ongoing Fiscal Challenges

- Inflation and debt service charges increase by about \$250M annually
- Increasing capital spending adds pressure to operating budget
- Increasing demand for new services to meet population growth & service gaps
- Structural Deficit Problem Continues:
 - Stagnant non-tax revenues
 - Assessment growth consistently less than the rate of inflation - approximately 1/2% increase in 2007
 - Unpredictable assistance from the Province and the City's (already under-funded) reserves
 - Significant shortfall in Provincial funding of cost-shared programs
- COTA new taxation revenues – very limited availability in 2007

Structural Operating Deficit

– How Pressures were Funded

2007 Recommended Operating Budget



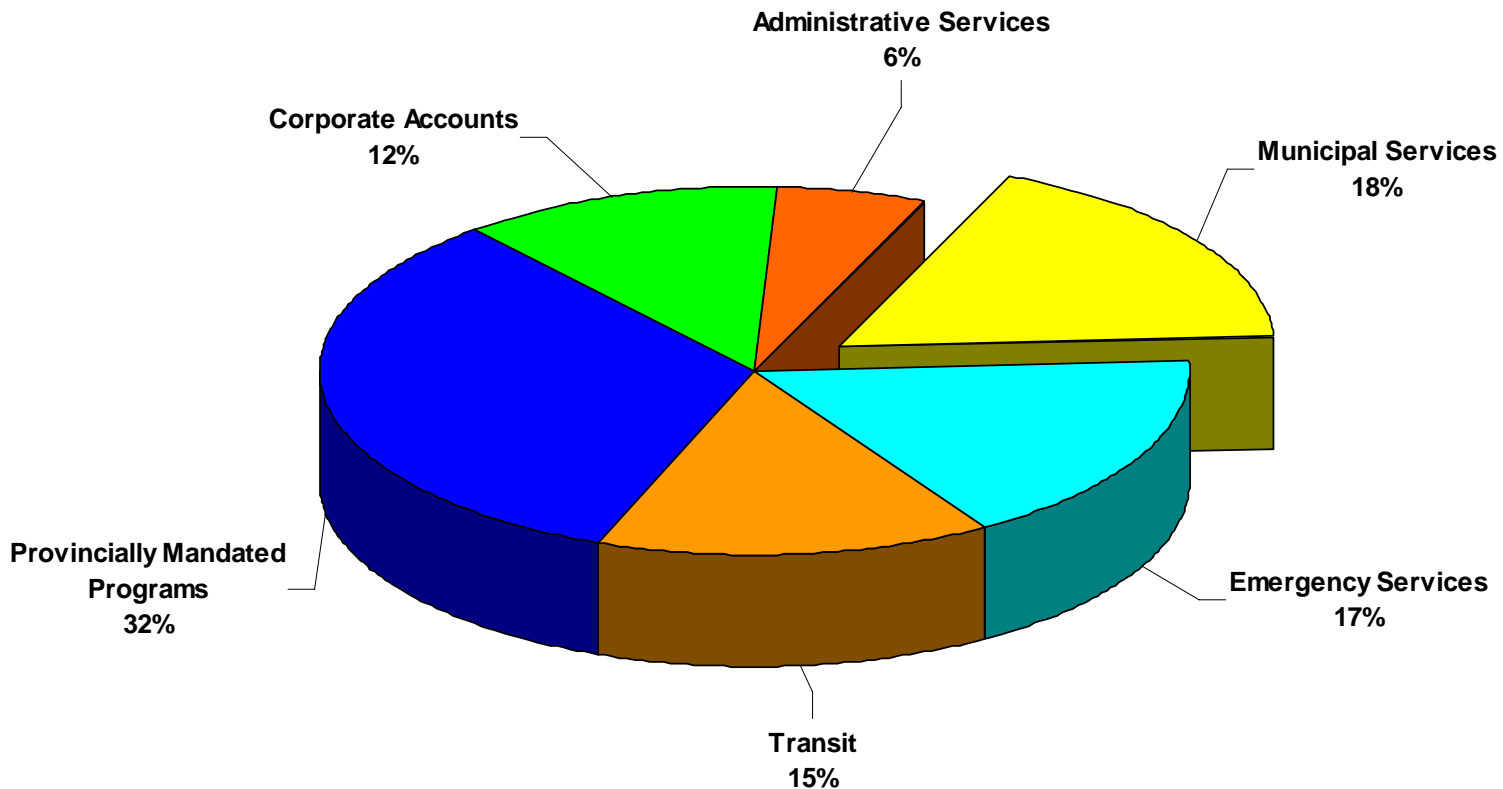
2001 – 2006 Provincial Assistance and City Internal Funding

	\$Millions					
	2001	2002	2003	2004	2005	2006
Provincial Assistance:						
Deferral of Provincial Loan Repayment			10	20	20	20
Provincial One Time Funding	50		64	70	45	145
Total Provincial Assistance	50	0	74	90	65	165
Internal Funding Initiatives:						
Continuous Improvement / Efficiency						
	40	45	50	60	60	124
One Time Internal Funding:						
Reserves	41	72	99	69	87	160
Hydro Revenues				92	195	113
Total One Time Internal Funding	41	72	99	161	282	273
Property Taxes:						
Tax Increase	48	44	32	59	62	56
Assessment Growth / Change	26	8	33	27	13	60
Total Property Taxes	74	52	65	86	75	116
Total Internal Funding Initiatives:	155	169	214	307	417	513
Total Provincial and Internal	205	169	288	397	482	678

2007 Operating Budget

32% of the 2007 Gross Expenditure Budget (\$7.8 billion) Allocated to Provincially Mandated Programs

2007 Recommended Operating Budget



2007 Operating Budget - Pressure Drivers

	<u>\$Million</u>
2007 Operational Impacts	
COLA & Merit	120
Inflation - materials and services	27
Debt Service Charges	70
Prior Year Impacts and Other Base Changes	58
	<u>275</u>
City/Hydro One-time Funds	
Unsustainable 2006 Reserve Draws	160
Toronto Hydro Revenues	113
	<u>273</u>
Total Base Pressure	548
New and Enhanced Services	14
Total Pressure	<u><u>562</u></u>

CM & CFO Review Reduced Pressure to \$292 \$Millions

Total Pressure	562
Administrative Adjustments:	
Base Budget Efficiencies / Savings	(84)
Hydro Revenues	(106)
Reserve Draws - Cost Shared Programs	(80)
	(270)
Adjusted Pressure	292

2007 Net Operating Budget Increased by \$292 Million

(\$000s)	2006 Approved Budget	2007 Rec'd Base Budget	2007 Rec'd New/Enh.	2007 Rec'd Total Budget	Change from 2006 Over (Under)	
					\$	%
Total City Operations	1,921,395	1,983,626	6,550	1,990,176	68,782	3.6%
Agencies, Boards and Commissions	1,293,281	1,347,990	2,064	1,350,054	56,773	4.4%
Corporate Accounts	(82,847)	77,228	5,469	82,696	166,043	200.4%
2007 Net Operating Budget	3,131,828	3,408,844	14,083	3,422,926	291,598	9.3%

Citizen Centred Services "A" Net Budget Increased by \$29 Million After Significant Draws from Reserves

(\$000s)	2006 Approved Budget	2007 Rec'd Total Budget	Change from 2006 Approved Budget	
			\$	%
Citizen Centred Services "A"				
Affordable Housing Office	1,418	1,418	0	0.0%
Children's Services	68,291	69,025	734	1.1%
Court Services	(9,500)	(11,129)	(1,629)	(17.2%)
Economic Development, Culture & Tourism	24,297	24,597	300	1.2%
Emergency Medical Services	60,507	61,590	1,083	1.8%
Homes for the Aged	32,652	32,652	0	0.0%
Parks, Forestry & Recreation	216,205	226,146	9,941	4.6%
Shelter Support & Housing Administration	276,574	276,574	0	0.0%
Social Development, Finance & Administration	15,925	15,925	(0)	(0.0%)
Social Services	277,877	295,950	18,073	6.5%
3-1-1 Customer Service Strategy	390	390	0	0.0%
Total Citizen Centred Services "A"	964,635	993,137	28,502	3.0%

Citizen Centred Services 'B' - \$34 Million Increase Primarily Attributed to Solid Waste, Fire and Transportation

(\$000s)	2006 Approved Budget	2007 Rec'd Total Budget	Change from 2006 Approved Budget	
			\$	%
Citizen Centred Services "B"				
City Planning	13,195	13,419	224	1.7%
Clean and Beautiful City Secretariat	317	1,036	719	226.6%
Fire Services	324,256	336,085	11,828	3.6%
Municipal Licensing & Standards	9,329	11,016	1,687	18.1%
Policy, Planning, Finance and Administration	12,600	12,600	0	0.0%
Solid Waste Management Services	170,926	183,596	12,670	7.4%
Technical Services	2,435	3,106	671	27.6%
Toronto Building	(11,969)	(11,969)	(0)	(0.0%)
Transportation Services	178,023	184,092	6,069	3.4%
Waterfront Secretariat	827	1,080	253	30.6%
Total Citizen Centred Services "B"	699,940	734,061	34,121	4.9%

Internal Services Net Budget Increase of \$3 Million Primarily Attributed to I & T

(\$000s)	2006 Approved Budget	2007 Rec'd Total Budget	Change from 2006 Approved Budget	
			\$	%
Internal Services				
Office of the Chief Financial Office	9,941	9,968	27	0.3%
Office of the Treasurer	31,537	31,959	422	1.3%
Public Information & Creative Services	4,622	4,622	(0)	(0.0%)
Facilities & Real Estate	52,961	53,944	983	1.9%
Fleet Services	0	0	0	n/a
Information & Technology	46,502	48,055	1,553	3.3%
Total Internal Services	145,563	148,548	2,986	2.1%

Other City Programs – Net Increase of \$3 Million

(\$000s)	2006 Approved Budget	2007 Rec'd Total Budget	Change from 2006 Approved Budget	
			\$	%
Other City Programs				
City Manager's Office	36,972	37,137	165	0.4%
City Clerk's Office	30,596	31,400	804	2.6%
Legal Services	19,159	19,567	407	2.1%
Office of the Mayor	1,886	2,447	561	29.7%
Council	18,762	19,649	888	4.7%
Auditor General's Office	3,881	3,988	107	2.8%
Lobbyist Registrar	0	241	241	n/a
Total Other City Programs	111,257	114,430	3,173	2.9%

ABCs Are Collectively \$57 Million Over-target

(\$000s)	2006 Approved Budget	2007 Rec'd Total Budget	Change from 2006 Approved Budget	
			\$	%
<u>Agencies, Boards and Commissions</u>				
Toronto Public Health	63,828	50,343	(13,485)	(21.1%)
Toronto Public Library	144,478	148,812	4,334	3.0%
Association of Community Centres	5,851	6,232	381	6.5%
Exhibition Place	54	54	0	0.2%
Heritage Toronto	340	370	30	8.7%
Theatres	2,906	4,332	1,426	49.1%
Toronto Zoo	11,670	11,539	(131)	(1.1%)
Arena Boards of Management	127	182	55	43.6%
Yonge-Dundas Square	583	583	0	0.0%
Toronto & Region Conservation Authority	3,010	3,094	84	2.8%
Toronto Transit Commission - Conventional	246,307	271,781	25,475	10.3%
Toronto Transit Commission - Wheel-Trans	59,968	65,535	5,567	9.3%
Toronto Police Service	752,375	784,958	32,583	4.3%
Toronto Police Services Board	1,785	2,238	454	25.4%
Total Agencies, Boards and Commissions	1,293,281	1,350,054	56,773	4.4%

Corporate Accounts – Significant Increase in Debt Service Charges and Loss of Non-Program Revenues

(\$000s)	2006 Approved Budget	2007 Rec'd Total Budget	Change from 2006 Approved Budget	
			\$	%
Corporate Accounts				
Community Partnership and Investment Program	40,175	41,392	1,217	3.0%
Capital & Corporate Financing	472,511	538,590	66,078	14.0%
Non-Program Expenditures	246,032	244,627	(1,404)	(0.6%)
Non-Program Revenues	(841,565)	(741,913)	99,652	11.8%
Total Corporate Accounts	(82,847)	82,696	165,543	199.8%

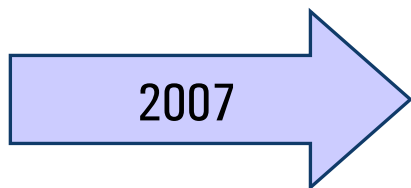
Getting to a Balanced Budget (\$Millions)

Adjusted Pressure	292
Financial Decisions:	
Assessment Growth	(16)
One-time Funding - Additional Reserve Draws / 2006 Year End Surplus / COTA - New Revenues	(132)
	<hr/> 144
Provincial Responsibilities:	
Honour Legislated Social Service Cost Sharing	(71)
	<hr/> 73
Net Budget Shortfall	73
Additional City Policy Option:	
Tax Increases - 3.8% (1% res = \$12.923 million; 1% non-res = \$18.539 million)	(73)
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Net Pressure	0

Honour Legislated Social Services Cost Sharing

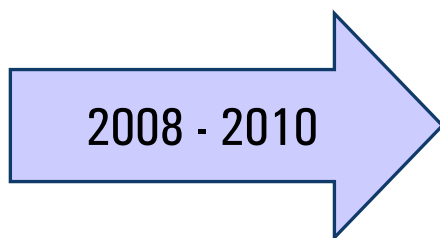
\$ Million										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Provincial Funding Shortfall Cap:										
OW COA				0.6	5.1	12.2	16.9	18.6	23.2	29.3
Shelter Per Diem	2.4	6.5	12.0	7.9	14.1	16.9	22.2	24.8	28.6	29.1
Childcare										13.0
EMS		0.7		0.7	5.7	6.4	9.0	9.8	6.4	
Police		31.2	33.5	35.6	38.3	42.5	43.4	46.0	49.0	56.0
Total Provincial Funding Shortfall	2.4	38.4	45.5	44.8	63.2	78.0	91.5	99.2	107.2	127.4

Fixing the Structural Deficit



Short Term One-Time Strategies:

- Provincial Action:
 - ✓ Honour Legislated Social Service Cost Sharing
- City of Toronto:
 - ✓ Reserve Draws, Property Tax Increase



Long-Term, Sustainable Strategies:

- Upload Social Services Programs
- Growth Revenues – Share of GST, Sales Taxes
- National Transit Strategy
- Municipal City Building Revenue Tools

Conclusion

Conclusion

- 2007 Recommended Operating Budget:
 - Maintains Core Services and Service Levels
 - Includes investment in new and enhanced services that are aligned to Council's priorities
- Property Tax increase in line with City of Toronto rate of inflation and modest investment to meet Council priorities
- Negotiations needed with the Province to honour legislated social services cost sharing
- New COTA revenue tools required for City Building but given City's fiscal gap need to accelerate to maintain core services
- Negotiations must continue to permanently fix the fiscal imbalance

