

# Analyst Briefing Notes

## Budget Committee - February 16, 2010

### PART I: 2010 OPERATING BUDGET

Executive Summary .....	2
Recommendations .....	6

### PART II: 2010 SERVICE OVERVIEW AND PLAN

Mission Statement .....	7
Program Map .....	7
2010 Recommended Service: Overview .....	7

### PART III: 2009 EXPERIENCE

2009 Accomplishments .....	9
2009 Budget Variance Analysis .....	10
Impact of 2009 Operating Variance on 2010 Recommended Budget .....	10

### PART IV: 2010 RECOMMENDED BASE BUDGET

2010 Recommended Base Budget .....	11
2010 Key Cost Drivers .....	12
2010 Service Changes .....	12

### PART V: RECOMMENDED SERVICE CHANGES

2010 Recommended Service Changes .....	14
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### PART VI: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS

2010 Service Priority Actions .....	17
-------------------------------------	----

### PART VII: ISSUES FOR DISCUSSION

2010 Budget Issues .....	19
2011 and Future Year Issues .....	N/A
Issues Referred to the 2010 Operating Budget Process .....	N/A
Issues Referred from 2009 and Prior Years .....	N/A

<b>Appendix A:</b> 2010 Recommended Base Budget Changes vs. 2009 Approved Budget .....	20
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<b>Appendix B:</b> Summary of Service Changes .....	21
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<b>Appendix C:</b> Summary of 2010 Recommended New/Enhanced Service Priority Actions .....	22
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<b>Appendix D:</b> Program Summary by Expenditure Category .....	23
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<b>Appendix E:</b> Inflows / Outflows to / from Reserves and Reserve Funds .....	24
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**PART I: 2010 OPERATING BUDGET****Executive Summary**

- The Office of the Chief Financial Officer delivers services through four main service areas: Finance and Administration; Corporate Finance; Financial Planning and Special Projects. It ensures the effective use of the Corporation's financial resources by providing sound financial management and advice; maintaining financial controls; developing and implementing effective financial strategies and by providing timely, accurate and efficient services to the Divisions, Agencies, Boards and Commissions and the public.
  - The Program provides quality and responsive shared services through strategic and innovative leadership by partnering with other City Programs to deliver excellent service and ensure Toronto's financial sustainability.
- The Office of the Chief Financial Officer's has established the following service objectives for 2010 to address key challenges and opportunities:
  - Maintain efficiency and accountability at City Hall by ensuring that resources are used wisely and public money is managed responsibly by developing multi-year plans and strategies that are sustainable and linked to Mayor/Council priorities.
  - Leverage Information Technology to support current business practices and shape new service delivery strategies in providing enhanced customer service to Divisions.
  - Deliver an integrated multi-year planning and performance based budgeting system that provides multi-year operating budget based on service levels and results, promoting accountability and transparency and decision making on the City's budget and fiscal position.
  - Deliver timely, accurate and cost effective services.
  - Strive to build a skilled and productive workforce and achieve a healthy and safe workplace. Review organizational effectiveness to promote and encourage continuous improvements as staff resources are critical to the success of the organization.
  - Continue to partner with City Programs to deliver excellent public service while continuing to ensure Toronto's financial sustainability.
  - Ensure effective use and oversight of the Corporation's financial resources and implementation of the City's new Development Charges By-Law.
- 2009 accomplishments for the Office of the Chief Financial Officer include the introduction of a new Development Changes Bylaw to enhance capital funding; provided analysis, negotiation and reporting services related to the revitalization of Union Station; maintained essential services through labour disruption planning and response; facilitated the transfer of the Program's IT services per the IT Transformation Strategy; introduced a Service Review process to establish priorities and to guide the 2010 Budget process; negotiated financial agreements with the

Province and the Bid Corporation for funding the 2015 Pan Am Games, formed the Debenture Committee which approved debenture issue of \$400 million and established a 10-Year Capital Plan for the City.

- For 2009, the Office of the Chief Financial Officer projects year-end net expenditures of \$8.410 million, \$0.540 million or 6.0% under the 2009 Approved Operating Budget of \$8.950 million net. This favourable variance primarily is the result of salary savings arising from delays in filling vacant positions.
- The 2010 Recommended Operating Budget for the Office of the Chief Financial Officer includes reduction strategies to delete 4 vacant positions in 2010 by \$0.253 million.

**Table 1: 2010 Recommended Budget**

	2009		2010 Recommended Operating Budget			Change - 2010 Recommended Operating Budget v. 2009 Appvd. Budget		FY Incremental Outlook	
	2009 Appvd. Budget	2009 Projected Actual	2010 Rec. Base	2010 Rec. New/Enhanced	2010 Rec. Budget			2011	2012
	\$	\$	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	12,719.7	12,154.3	12,826.5	2,685.0	15,511.5	2,791.8	21.9	1,701.0	(1,131.9)
<b>REVENUE</b>	3,769.9	3,744.6	3,898.5	2,685.0	6,583.5	2,813.6	74.6	1,601.0	(1,200.0)
<b>NET EXP.</b>	8,949.8	8,409.7	8,928.0	0.0	8,928.0	(21.8)	(0.2)	100.0	68.1
<b>Approved Positions</b>	115.0	115.0	112.0	36.0	148.0	33.0	28.7	0.0	(2.0)

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
<b>NET BUDGET</b>	<b>9,551.0</b>	<b>8,928.0</b>	<b>(623.0)</b>	<b>9,890.5</b>
<b>PROGRAM REDUCTION (\$)</b>	<b>(451.1)</b>	<b>(388.4)</b>	<b>62.7</b>	<b>(447.5)</b>
<b>PROGRAM REDUCTION (%)</b>	<b>(5.0)</b>	<b>(4.3)</b>	<b>0.7</b>	<b>(5.0)</b>

- The 2010 Recommended Operating Budget for the Office of the Chief Financial Officer of \$15.512 million gross and \$8.928 million net is \$0.022 million or 0.2% below the 2009 Approved Operating Budget. The Program has exceeded the 2010 Net Budget Target of \$9,551.0 million by \$0.623 million or 6.5% which includes service change reductions of \$0.388 million or 4.3% of the 2009 Approved Budget in 2010.
- The 2010 Recommended Operating Budget for Office of the Chief Financial Officer is comprised of base funding of \$12.827 million gross and \$8.928 million net and funding for new/enhanced priority actions of \$2.685 million gross and \$0.000 million net for 36 temporary resources for the new FPARS/SAP Foundation project. Approval of the 2010 Recommended Budget will result in the Program’s total staff complement increasing from 115 to 148 approved positions, which includes the elimination of 4 vacant permanent positions as a result of service changes and an increase of 1 permanent and 36 temporary resources to complete capital projects.
- The 2010 Recommended Operating Budget for Office of the Chief Financial Officer results in incremental future year net increases to the Program of \$0.100 million in 2011 and \$0.068 million in 2012.

- In 2011, projected increases of \$0.156 million for COLA, progression pay and step increases will be partially offset by reductions of \$0.056 million from annualized saving from service changes.
- The 2012 Outlook anticipates incremental increases of \$0.068 million for progression pay and step increases.
- The Office of the Chief Financial Officer has presented 2011 reduction options during the 2010 Operating budget process towards the Program's 2011 reduction target of \$0.448 million or 5% of the 2009 Approved Budget. These options will be further reviewed over the course of the year and presented for consideration with the 2011 Operating Budget.
- The 2010 Recommended Base Budget provides funding for the following key cost drivers:
  - A cost of living adjustment (COLA) of 2% for union staff and 1% for exempt staff and step and progression pay increases resulting in an increase to salaries and benefits of \$0.263 million.
  - Ongoing sustainment of the FPARS capital project in the amount of \$0.100 million.
- The Program's 2010 Recommended Operating Budget includes service changes with savings of \$0.375 million for 2010 resulting in incremental savings of \$0.056 million in 2011. The 2010 service change actions include \$0.062 million in service efficiency savings; revenue changes of \$0.021 million; and minor service level changes of \$0.292 million. Through the reassignment and absorption of additional duties by existing staff, the Office of the Chief Financial Officer can maintain 2009 service levels while eliminating 4 vacant permanent positions.
- Approval of the Service Changes will result in a decrease of 4 approved positions to the complement.
- The following key program issue has been identified during the 2010 Operating Budget process:
  - To ensure that the City can continue to meet its financial and service responsibilities into the future, the City must invest in new SAP technologies now available and leverage the system across City programs and ABCs. Funding for 36 temporary positions in 2010 for the period 2010 through 2012 is required to support the capital investment into SAP to re-engineer processes, build systems, train staff and begin delivering functional information.
- The 2010 Recommended Operating Budget for Office of the Chief Financial Officer provides funding for the Program to complete, continue and initiate the following activities:
  - Manage specific initiatives including new revenue, user fee and related policies; annual long term financial policy and planning; property tax policy, water rate policy, capital financing policies and Development Charges (DC) policy.
  - Examine alternatives and improve ways of protecting the City's physical and financial assets through improved insurance and risk management strategies, internal funding strategies and investment enhancements.

- Implement FPARS to generate considerable savings across the City through elimination of duplicate systems and reduction of the amount of manual and replicated work that is currently required to prepare and approve budgets, as well as to monitor and report on how the City's financial resources are managed. In 2010, the FPARS project will provide a shadow service view of the City operating budget for the 2011 process.
- Provide research and support for new financial partnerships and continued negotiation of mid and longer-term funding partnerships with other orders of government (such as Spadina Subway Extension, Transit City/Metrolinx, Union Station, Sony Centre Development, etc.).
- Provide negotiation, assessments and advisory services on major ongoing site-specific projects.
- Provide timely financial and management reporting through variance monitoring and control to ensure that expenditures and revenues are managed within approved allocations. Timely and accurate reports and objective advice to support informed decision making that contributes to the financial sustainability of the City.

**Recommendations**

The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2010 Recommended Operating Budget for the Office of the Chief Financial Officer of \$15.512 million gross and \$8.928 million net, comprised of the following services:

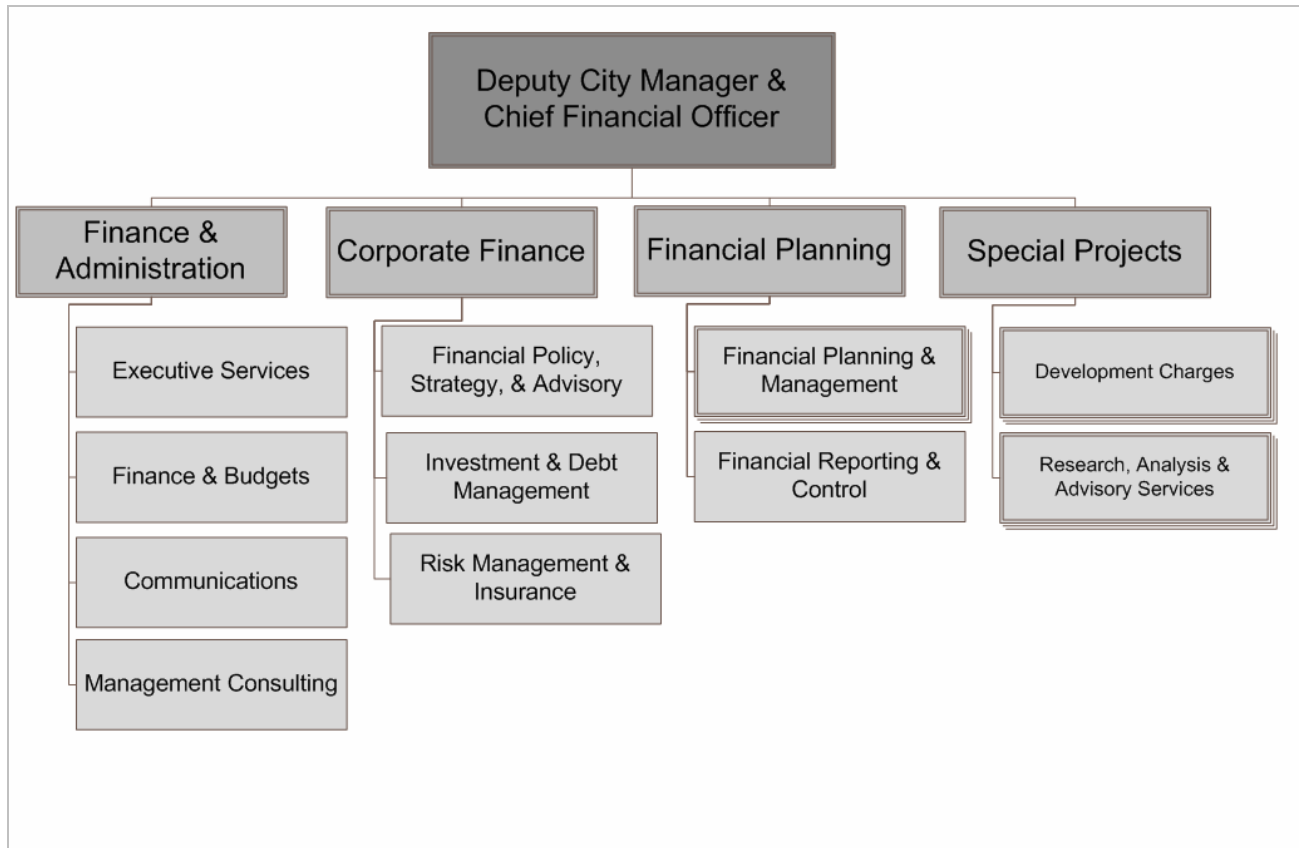
<u>Service:</u>	Gross (\$000s)	Net (\$000s)
Finance & Administration	3,040.8	2,874.6
Corporate Finance	4,103.2	1,524.4
Financial Planning	7,789.7	4,120.7
Special Projects	577.8	408.3
	<hr/>	<hr/>
Total Program Budget	15,511.5	8,928.0
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**PART II: 2010 SERVICE OVERVIEW AND PLAN**

**Mission Statement**

The Office of the Chief Financial Officer ensures effective use of the Corporation’s financial resources by providing sound financial management and advice; maintaining financial controls; developing and implementing effective financial strategies; and by providing timely, accurate and efficient services to Divisions, Agencies, Boards, Commissions and the public.

**Program Map**



The Office of the Chief Financial Officer delivers services through four main service areas: Finance and Administration with effective Communications, Finance & Budget services and Project Management.; Corporate Finance provides strategic and risk management expertise to improve the City of Toronto's financial health; Financial Planning provides Corporate Financial Planning, Management, Reporting and Control services and Special Projects responsible for all facets of the City's development charges system, research, development of finance-oriented policy.

**Finance & Administration**

Finance and Administration provides services to the Internal Services Cluster, supporting its day to day operations of delivering quality financial and shared services to other divisions, City Council and the Public.

**Corporate Finance**

Corporate Finance protects the City's financial assets through corporate management of borrowing and investments and protects the City's physical assets through insurance and risk management.

**Financial Planning**

Financial Planning provides Corporate Financial Planning, Management, Reporting and Control services to all City Programs and ABCs to achieve fiscal sustainability of the City in order to deliver programs and services to the public.

**Special Projects**

Special Projects provides financial analysis, negotiation, assessment and advisory services that allow the City to maximize public benefits by implementing various major corporate initiatives such as land development initiatives, major real estate transactions and public-private partnership proposals.

**Service Objectives**

The Office of the Chief Financial Officer has established service objectives to address its challenges and opportunities that prioritizes and aligns strategic initiatives with Mayor and Council priorities, increasing service demands and legislative requirements. The following section provides the Office of the Chief Financial Officer's service objectives for 2010 and beyond:

- **Service Delivery Strategies**

- Leverage Information Technology to support current business practices and shape new service delivery strategies in providing enhanced customer service to Divisions.
- Deliver timely, accurate and cost effective services and are committed to service excellence through the strengthening of shared services.
- Strive to build a skilled and productive workforce and achieve a healthy and safe workplace. Review organizational effectiveness to promote and encourage continuous improvements as staff resources are critical to the success of the organization.
- Continue to partner with City Programs to deliver excellent public service while continuing to ensure Toronto's financial sustainability.

- **Mayor and Council Priorities**

- Maintain efficiency and accountability at City Hall by ensuring that resources are used wisely and public money is managed responsibly by developing multi-year plans and strategies that are sustainable and linked to Mayor/Council priorities.
- Deliver an integrated multi-year planning and performance based budgeting system to meet the increased scrutiny of the City's budget and fiscal position.
- Ensure effective use and oversight of the Corporation's financial resources and implementation of the City's new Development Charges By-Law.

**PART III: 2009 EXPERIENCE****2009 Accomplishments**

The Office of the Chief Financial Officer's major accomplishments in 2009 include:

- Formed a debenture committee, which approved a debenture issue of \$400 million.
- Continued the enhancement of Toronto's business competitiveness, including working with the Woodbine Live! proponent and further progress on industrial water rates.
- Developed a policy for commodity hedging
- Negotiated the financial agreements with the Province for the 2015 Pan Am Games.
- Provided analysis, negotiation and reporting services that resulted in the successful selection of a proponent for the leasing of the retail space in Union Station.
- Introduced a new Development Charge By-law to enhance capital funding.
- Continued implementation of the Mayor's Independent Fiscal Review Panel Recommendations including streamlining the budget process, setting fiscal targets and containing costs.
- Facilitated the transfer and transition of cluster IT Services to the Corporate Information and Technology division as part of the IT Transformation Strategy.
- Coordinated Labour Disruption planning and response to maintain essential City services and redeploying staff and resources to assist other divisions.
- Revised the capital financing strategy for the 2010-2019 Capital Budget and Plan.
- Negotiated approval of the City's Stimulus Projects to maximize the use of economic stimulus funding from the Federal and Provincial governments for the Recreational Infrastructure Canada Program in Ontario and the Ontario Recreation Program (RInC-REC) as well as the Infrastructure Stimulus Fund (ISF).
- Established the City's first 10-Year Capital Plan based on annual debt affordability.
- Led a corporate Service Review Process to establish sustainable permanent options to address the City's financial condition, setting targets, and reviewing the delivery and relevance of levels of services provided.

**Table 2: 2009 Budget Variance Review (\$000s)**

(In \$000s)	2008 Actuals	2009 Approved Budget	2009 Projected Actuals*	2009 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	12,980.8	12,719.7	12,154.3	(565.4)	(4.4)
<b>REVENUES</b>	3,749.7	3,769.9	3,744.6	(25.3)	(0.7)
<b>NET EXP.</b>	9,231.1	8,949.8	8,409.7	(540.1)	(6.0)
<b>Approved Positions</b>	128.0	115.0	108.0	(7.0)	(6.1)

\*Projected Actuals Based on the September 30, 2009 Variance Report

### 2009 Budget Variance Analysis

The Office of the Chief Financial Officer's Third Quarter Variance report projects that the Program will be \$0.540 million or 6.0% under the 2009 Approved Operating Budget of \$8.950 million net by year-end.

- The under expenditure is primarily the result of salary savings realized from delays in filling vacant positions due to the labour disruption and hiring slowdown during 2009.

### Impact of 2009 Operating Variance on the 2010 Recommended Budget

- The Office of the Chief Financial Officer's 2010 Recommended Operating Budget includes budgeted gapping of \$0.475 million and reduction strategies to delete 4 vacant positions in 2010 by \$0.253 million.

## PART IV: 2010 RECOMMENDED BASE BUDGET

**Table 3: 2010 Recommended Base Budget (\$000s)**

	2009 Appvd. Budget	2010 Recommended Base	Change 2010 Recommended Base v. 2009 Appvd. Budget		FY Incremental Outlook	
					2011	2012
(In \$000s)	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	12,719.7	12,826.5	106.8	0.8	100.0	68.1
<b>REVENUE</b>	3,769.9	3,898.5	128.6	3.4	0.0	0.0
<b>NET EXP.</b>	8,949.8	8,928.0	(21.8)	(0.2)	100.0	68.1
<b>Approved Positions</b>	115.0	112.0	(3.0)	(2.6)	0.0	0.0

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
<b>NET BUDGET</b>	<b>9,551.0</b>	<b>8,928.0</b>	<b>(623.0)</b>	<b>9,890.5</b>
<b>PROGRAM REDUCTION (\$)</b>	<b>(451.1)</b>	<b>(388.4)</b>	<b>62.7</b>	<b>(447.5)</b>
<b>PROGRAM REDUCTION (%)</b>	<b>(5.0)</b>	<b>(4.3)</b>	<b>0.7</b>	<b>(5.0)</b>

**Table 3a: Program Reduction Requirements (\$000s)**

(In \$000s)	2010 Required Reductions	2011 Required Reductions
2009 Approved Budget (September 30)	8,949.8	
<b>Pressures Reported with 2010 / 2011 Outlook</b>	<b>1,048.7</b>	<b>787.0</b>
Pressures Not Reported with 2010 / 2011 Outlook	3.6	0.0
<b>5% Reduction Target</b>	<b>(447.5)</b>	<b>(447.5)</b>
Additional Pressures not in 2010 Reported Outlook	(3.6)	0.0
<b>Program Reduction Target</b>	<b>(451.1)</b>	<b>(447.5)</b>
<b>Net Budget Target</b>	<b>9,551.0</b>	<b>9,890.5</b>

### *2010 Recommended Base Budget*

- The 2010 Recommended Base Budget of \$12.827 million gross and \$8.928 million net represents a \$0.022 million or 0.02% decrease from the Office of the Chief Financial Officer's 2009 Approved Operating Budget of \$8.950 million net. The 2010 Recommended Base Budget includes funding of \$0.366 million for base budget increases, which have been offset by \$0.388 million in budget reductions arising from recommended base budget adjustments, service efficiencies, revenue changes and minor service level changes. These represent \$0.063 million or

0.7% less than the Program reduction target of \$0.451 million or 5% of the 2009 Approved Operating Budget. However, in total, the Program is \$0.623 million or 6.5% over the 2010 Net Budget Target of \$9,551.0 million.

Approval of the 2010 Recommended Base Budget will result in the Program's total approved complement decreasing from 115 to 112 approved positions as a result of the deletion of 4 vacant permanent positions from recommended service changes and an increase of 1 position for ongoing sustainment of capital projects.

### **2010 Base Budget Key Cost Drivers**

The 2010 Recommended Base Budget provides funding for the following key cost drivers:

- Cost of living allowance (COLA) of 2% for union staff and 1% for exempt staff resulting in an increase of \$0.120 million for salaries and benefits.
- Step and progression pay increments of \$0.143 million.
- Annualization of the operating impact of capital in the amount of \$0.100 million. The addition of one Senior Financial Planning Analyst to sustain the implementation of the FPARS new SAP system functionality and developing significant business strategies (Enterprise Performance Management - EPM).

The cost drivers noted above will be offset by the following savings included in the 2010 Recommended Base budget:

- Reduction in discretionary expenditures of \$0.011 million.
- Savings of \$0.003 million from the reduction of non-salary economic factors.

### **2010 Service Changes**

The Office of the Chief Financial Officer's 2010 Recommended Base Budget includes service adjustment savings of \$0.388 million that will result in the incremental savings of \$0.028 million in 2011. The recommended 2010 service changes are comprised of \$0.013 million in base change savings, \$0.062 million in efficiency savings, \$0.021 million in revenue changes and \$0.292 million in minor service level changes.

The recommended service changes are summarized below:

#### *Service Efficiencies*

- Reduction in overtime savings of \$0.030 million.
- Reduction in the cost of distribution of budget documents with forecasted savings of \$0.032 million.

#### *Revenue Change*

- Increase recovery rate from 50% to 75% or \$0.021 million in 2010 from the Development Charges Reserve for actual dedicated staff time spent on Development Charges By-Law.

*Minor Service Level Impact*

- Reduction of 1.0 vacant permanent Budget Clerk 2 position effective January 1, 2010 with savings of \$0.061 million.
- Delay the hiring of a Manager for 3.5 months with anticipated savings of \$0.039 million.
- Reduction of 1.0 vacant permanent Budget and Operations Analyst position effective January 1, 2010 with savings of \$0.098 million.
- Reduction of 1.0 vacant permanent Financial Analyst position effective January 1, 2010 with anticipated savings of \$0.066 million.
- Reduction of 1.0 vacant Financial Analyst position effective September 1, 2010 with forecasted savings of \$0.029 million in 2010 and annualized saving in 2011 of \$0.074 million.

Please refer to Part V for a discussion regarding the 2010 Recommended Base Budget Service Changes.

**2011 and 2012 Outlook: Net Incremental Impact**

Approval of the 2010 Recommended Base Budget for the Office of the Chief Financial Officer will result in a 2011 and 2012 incremental increase of \$0.028 million and \$0.068 million, respectively, to maintain the 2010 level of service and staff complement. Future year costs are primarily attributed to the following:

- The 2011 Outlook for Office of the Chief Financial Officer anticipates incremental net expenditure increases of \$0.155 million for COLA, progression pay and step increases, which are partially offset by reductions of \$0.021 million in additional recovery from Development Charges Reserve and net annualized savings of \$0.035 million from service changes.
  - The 2010 Recommended Operating Budget will result in 2011 incremental service change savings of \$0.056 million to assist the Program in achieving its 2011 reduction target of \$0.448 million or 5% of the 2009 Approved Budget. Other options will be reviewed over the course of the year and presented for consideration during the 2011 Operating Budget process.
- The 2012 Outlook anticipates incremental increases of \$0.068 million for progression pay and step increases.

## PART V: 2010 RECOMMENDED SERVICE CHANGES

**Table 4: 2010 Recommended Service Change Summary**  
(In \$000s)

Description	2010 Recommended Service Changes				Net Incremental Impact	
	Position Change	Gross Exp.	Net Exp.	% Change over 2009 Budget	2011	
	#	\$	\$	#	\$	# Pos
<b>Base Change Summary</b>		(13.3)	(13.3)	(0.1%)		
<b>Service Efficiencies:</b>						
Reduce Overtime		(30.0)	(30.0)	(0.3%)		
Leverage Technology to Disseminate Budget Document		(31.7)	(31.7)	(0.4%)		
<b>Revenue Adjustments:</b>						
Increase Recovery from DC Reserve Fund			(21.0)		(21.0)	
<b>Minor Service Level Changes:</b>						
Delay hiring a Manager position for 3.5 months		(39.1)	(39.1)	(0.4%)	39.1	
Rationalize Support Staff Function	(1.0)	(60.5)	(60.5)	(0.7%)		
Reduce Strategic Advice	(1.0)	(66.0)	(66.0)	(0.7%)		
Delete Vacant Budget & Operations Analyst position	(1.0)	(97.7)	(97.7)	(1.1%)		
Reduce No.of Program Budgets Through Consolidations	(1.0)	(29.1)	(29.1)	(0.3%)	(73.6)	
<b>Sub-Total Service Changes</b>	<b>(4.0)</b>	<b>(354.1)</b>	<b>(375.1)</b>	<b>(4.2%)</b>	<b>(55.5)</b>	<b>0.0</b>
<b>Total Changes</b>	<b>(4.0)</b>	<b>(367.4)</b>	<b>(388.4)</b>	<b>(4.3%)</b>	<b>(55.5)</b>	<b>0.0</b>

### 2010 Recommended Service Changes

The budgetary impact of implementing the following service changes are included in the 2010 Recommended Base Budget, with savings estimated at \$0.388 million in 2010 with an incremental impact of \$0.056 million in 2011. Approval of the recommended service changes will result in a reduction of 4 vacant permanent positions reducing the Office of the Chief Financial Officer's complement to 112.

## Service Changes

The following 8 recommended service changes included in the Office of the Chief Financial Officer's 2010 Recommended Base Budget, resulting in 2010 savings of \$0.386 million net are discussed below.

### *Service Efficiencies*

#### *Reduce Overtime (\$0.030 million, net)*

Overtime is utilized during peak periods to meet deadlines and to cover for vacation periods. Staff will be encouraged to use lieu time as an alternative to being paid overtime at a savings of \$0.030 million with minimal impact on services.

#### *Leverage Technology to Disseminate Budget Document*

Distribution of budget documents using the City's intranet and internet services will produce savings of \$0.032 million by eliminating the production of hard copies for distribution with no service level change.

### *Revenue Adjustment*

#### *Increase recovery from Development Charges (DC) Reserve Fund (\$0.021 million, net)*

In 2009 a recovery rate of 50% from the DC Reserve Fund was applied for staff implementing and administering the City's development charge policies. It is recommended that the recovery rate be increased to 75% in 2010 for a savings of \$0.021 million and 100% recovery in 2011 to reflect the actual time spent on By-Law matters. It is noted that the City's current DC By-Law provides for charges for a variety of services, including a component related to unallocated costs which may be utilized for this purpose.

### *Minor Service Impact*

#### *Delay Hiring position for 3.5 months (\$0.039 million, net)*

The Program will delay hiring one manager position for 3.5 months resulting in a reduction of \$0.039 million in 2010. This reduction will be reviewed prior to 2011 budget process to consider an alternative permanent offset.

#### *Rationalize Support Staff Function (\$0.061million, net)*

Savings of \$0.061 million will result from the elimination of 1 vacant permanent administration position. The leveraging of IT solutions, consolidation of program budgets and streamlining of the administrative and political reviews of the budget process will result in greater efficiencies by reducing many manual processes and functions performed by an administrative support position.

#### *Delete One Vacant Budget & Operations Analyst position (\$0.098 million, net)*

Deletion of a vacant Budget & Operations Analyst position results in savings of \$0.098 million. This position is currently vacant pending a review of unmet complement management resources. Existing divisional staff will continue to provide unmet complement management needs.

*Reduce Strategic Advice (\$0.066 million, net)*

Deletion of one vacant permanent staff position in the policy, strategy and advisory service area results in savings of \$0.066 million. Although there will be a reduction in the ability to respond to the request for analytical support, this position was held vacant in 2009. A review of the alignment of responsibilities will be undertaken to provide the required support.

*Reduce the Number of Program Budgets Through Consolidations (\$0.029 million, net)*

Elimination of one vacant Financial Analyst position for 4 months in 2010 will result in savings of \$0.029 million and incremental savings of \$0.074 million in 2011. By functionally aligning and consolidating similar program budgets the number of Program Capital and Operating Budgets will be reduced. Although there will be no labour relations impact, staff may have to work longer hours to meet deadlines.

**PART VI:  
RECOMMENDED NEW SERVICE PRIORITY ACTIONS**

**Table 5: 2010 New / Enhanced Service Priority Actions: Summary**

(In \$000s)

Description	2010 Recommended			Net Incremental Impact			
	Gross Exp.	Net Exp.	New Positions	2011		2012	
	\$	\$	#	\$	# Pos	\$	# Pos
<b>Enhanced Services:</b>							
(a) Enhanced Services - Council Approved							
(b) Enhanced Services - Program Initiated							
<b>Sub-Total Enhanced Services</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>New Services:</b>							
(a) New Services - Council Approved							
FPARS - Planning and Budgeting Implementation with Business Process Reconfiguration	2,685.0	0.0	36.0				(2.0)
(b) New Services - Program Initiated							
<b>Sub-Total New Services</b>	<b>2,685.0</b>	<b>0.0</b>	<b>36.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(2.0)</b>
<b>Total Enhanced/New Services</b>	<b>2,685.0</b>	<b>0.0</b>	<b>36.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(2.0)</b>

**2010 Recommended New / Enhanced Service Priority Actions**

**New Service Priority Actions**

*Council Approved*

*FPARS- Planning and Budgeting Implementation with Business Process Reconfiguration*

The Financial Planning, Analysis and Reporting System (FPARS) will build a more functional, service-based, performance-focused model for planning, budgeting, monitoring and evaluating City services, the investments in those services and the outcomes they produce. The project will rationalize resources by standardizing, consolidating and automating processes and systems.

Accounting, budgeting, payroll and human resource business process re-engineering and technology training must begin in 2010 in advance of implementing the new FPARS system that will be used

for the 2012 operating budget process to present a multi-year, service based operating budget for the new term of Council with full system functionality and clean data to be used in 2012 to build the 2013 Operating Budget.

The 2010 Recommended Operating Budget includes funding of \$2.685 million for 36 dedicated resources (either for backfill or temporary hires) to begin the implementation. The use of dedicated City staff as opposed to consulting services for this aspect of the project will assist in reducing the capital cost of the project, as well as to ensure knowledge transfer of the new SAP technology to support new City-Wide process changes.

**PART VII: ISSUES FOR DISCUSSION****2010 Budget Issues*****FPARS- Planning and Budgeting Implementation with Business Process Reconfiguration***

The 10-Year Recommended Capital Plan for Financial Services includes funding to build a corporate team, document and/or create all processes and complete work on the technology transfer on the web portal, business warehouse and business intelligence reporting tools. In addition, funding is included in the Plan for the FPARS project, which includes the issuance of an RFP for project management and technical expertise and integration of the SAP's new public sector budget system with the new SAP tools and business process changes.

FPARS is introducing new SAP system functionality and developing significant business strategies (Enterprise Performance Management - EPM) that will require significant Financial Planning Division resources to complete. The back-end SAP system will be changed to add service information to existing business processes like accounting, payroll, purchasing and work order management. New SAP functionality will be implemented to deliver integrated vacancy management and complement management for both HR and budgeting purposes. The implementation of the service-based, multi-year, performance based planning and budgeting solution will require a team of 36 dedicated resources (either for backfill or temporary hires) to be dedicated to the project. This the first major refresh of the SAP system since the initial installation in 1998.

These positions are funded from the 2010 - 2019 Approved Capital Budget FPARS - SAP Business Process Change and Technology Transfer project.

## Appendix A

## 2010 Recommended Base Budget Changes vs. 2009 Approved Budget

(In \$000s)	Summary of 2010 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2011	2012
		\$	\$	\$	\$	\$
<b>2009 Council Approved Operating Budget</b>	<b>132.0</b>	<b>14,384.7</b>	<b>4,395.7</b>	<b>9,989.0</b>	<b>0.0</b>	<b>0.0</b>
Technical Adjustments	(17.0)	(1,705.9)	(625.8)	(1,080.1)		
In-Year Budget Adjustments		40.9		40.9		
<b>2009 Approved Operating Budget</b>	<b>115.0</b>	<b>12,719.7</b>	<b>3,769.9</b>	<b>8,949.8</b>	<b>0.0</b>	<b>0.0</b>
Prior Year Impacts:						
Annualizations from Prior Year		60.0	60.0	0.0		
Reversals from Prior Year						
Operating Impacts of Capital	1.0	100.0		100.0	20.0	
Zero Base Items						
Economic Increases:						
Salary		309.2	46.2	263.0	135.5	68.1
Non Salary		11.4	5.9	5.5		
<b>Adjusted Base Budget</b>	<b>116.0</b>	<b>13,200.3</b>	<b>3,882.0</b>	<b>9,318.3</b>	<b>155.5</b>	<b>68.1</b>
Base Expenditure Changes		(19.7)	(1.3)	(18.4)		
Base Revenue Changes			(3.2)	3.2		
<b>2010 Base Budget Prior to Service Changes</b>	<b>116.0</b>	<b>13,180.6</b>	<b>3,877.5</b>	<b>9,303.1</b>	<b>155.5</b>	<b>68.1</b>
Recommended Service Changes:						
Service Efficiencies		(61.7)		(61.7)		
Revenue Changes			21.0	(21.0)	(21.0)	
Minor Service Level Changes	(4.0)	(292.4)		(292.4)	(34.5)	
Major Service Level Changes						
<b>Total Recommended Base Changes</b>	<b>(4.0)</b>	<b>(354.1)</b>	<b>21.0</b>	<b>(375.1)</b>	<b>(55.5)</b>	<b>0.0</b>
<b>2010 Recommended Base Budget</b>	<b>112.0</b>	<b>12,826.5</b>	<b>3,898.5</b>	<b>8,928.0</b>	<b>100.0</b>	<b>68.1</b>

**Appendix B**  
**Summary of Service Changes**

**Appendix C**

**Summary of 2010 Recommended New/Enhanced  
Service Priority Actions**

Appendix D

Program Summary by Expenditure Category

CLUSTER: Internal Services PROGRAM: Office of the Chief Financial Officer							
	2009 Approved Budget	2009 Projected Actuals	2010 Recommended Budget	Change from 2009 Approved Budget		2011 Outlook	2012 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	11,656.0	11,061.3	14,481.5	2,825.5	24.2%	16,182.5	15,050.6
Materials and Supplies	96.7	64.9	89.2	(7.5)	(7.8%)	89.2	89.2
Equipment	17.8	13.0	7.6	(10.2)	(57.3%)	7.6	7.6
Services & Rents	647.1	572.0	649.5	2.4	0.4%	649.5	649.5
Contributions to Capital							
Contributions to Reserve/Res Funds	68.5	68.5	68.5	0.0	0.0%	68.5	68.5
Other Expenditures	2.0	2.0	2.0	0.0	0.0%	2.0	2.0
Interdivisional Charges	231.6	372.6	213.2	(18.4)	(7.9%)	213.2	213.2
<b>TOTAL GROSS EXPENDITURES</b>	<b>12,719.7</b>	<b>12,154.3</b>	<b>15,511.5</b>	<b>2,791.8</b>	<b>21.9%</b>	<b>17,212.5</b>	<b>16,080.6</b>
Interdivisional Recoveries	1,936.5	1,936.5	1,945.2	8.7	0.4%	1,945.2	1,945.2
Provincial Subsidies							
Federal Subsidies							
Other Subsidies							
User Fees & Donations							
Transfers from Capital Fund	367.8	342.5	3,054.4	2,686.6	730.5%	4,634.4	3,434.4
Contribution from Reserve Funds	1,185.9	1,185.9	1,286.3	100.4	8.5%	1,286.3	1,286.3
Contribution from Reserve	148.5	148.5	169.5	21.0	14.1%	190.5	190.5
Sundry Revenues	131.2	131.2	128.1	(3.1)	(2.4%)	128.1	128.1
<b>TOTAL REVENUE</b>	<b>3,769.9</b>	<b>3,744.6</b>	<b>6,583.5</b>	<b>2,813.6</b>	<b>74.6%</b>	<b>8,184.5</b>	<b>6,984.5</b>
<b>TOTAL NET EXPENDITURES</b>	<b>8,949.8</b>	<b>8,409.7</b>	<b>8,928.0</b>	<b>(21.8)</b>	<b>(0.2%)</b>	<b>9,028.0</b>	<b>9,096.1</b>
<b>APPROVED POSITIONS</b>	<b>115.0</b>	<b>108.0</b>	<b>148.0</b>	<b>33.0</b>	<b>28.7%</b>	<b>148.0</b>	<b>146.0</b>

## Appendix E

### Inflows / Outflows to / from Reserves & Reserve Funds

#### Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Balance as of December 2009	Proposed Withdrawals (-) / Contributions (+)		
			2010	2011	2012
		\$	\$	\$	\$
Insurance Reserve Fund	XR1010	32,534.1	68.5	68.5	68.5
Insurance Reserve Fund	XR1010		(1,286.3)	(1,286.3)	(1,286.3)
Development Charges Reserve	XR2030	1,832,933.0	(169.5)	(190.5)	(190.5)
<b>Total Reserve / Reserve Fund Draws / Contributions</b>			<b>(1,387.3)</b>	<b>(1,408.3)</b>	<b>(1,408.3)</b>