

Analyst Briefing Notes

Budget Committee - February 16, 2010

PART I: 2010 OPERATING BUDGET

Executive Summary	2
Recommendations	5

PART II: 2010 SERVICE OVERVIEW AND PLAN

Mission Statement	6
Program Map	6
2010 Recommended Services: Overview	6

PART III: 2009 EXPERIENCE

2009 Accomplishments	N/A
2009 Budget Variance Analysis	8
Impact of 2009 Operating Variance on 2010 Recommended Budget	8

PART IV: 2010 RECOMMENDED BASE BUDGET

2010 Recommended Base Budget	9
2010 Key Cost Drivers	10
2010 Service Changes	10

PART V: RECOMMENDED SERVICE CHANGES

2010 Recommended Service Changes	11
--	----

PART VI: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS

2010 Service Priority Actions	N/A
-------------------------------------	-----

PART VII: ISSUES FOR DISCUSSION

2010 Budget Issues	12
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

Appendix A: 2010 Recommended Base Budget Changes vs. 2009 Approved Budget	13
--	----

Appendix B: Summary of Service Changes	14
---	----

Appendix C: Summary of 2010 Recommended New/Enhanced Service Priority Actions	N/A
--	-----

Appendix D: Program Summary by Expenditure Category	15
--	----

Appendix E: Inflows / Outflows to / from Reserves and Reserve Funds	16
--	----

Contacts: Judy Broughton
 Manager, Financial Planning
 Tel: (416) 392-8393

Lucy Eusepio
 Financial Planning Analyst
 Tel: (416) 397-8992

February 16, 2010

PART I: 2010 OPERATING BUDGET**Executive Summary**

- Toronto City Council sets corporate strategic direction, priorities and policies; authorizes the raising of revenues and approves the expenditures of funds for the provision of services in the City. Toronto City Council consists of 44 Councillors, one representing each of the City's wards. The City Council 2010 Recommended Operating Budget maintains 2009 service levels to support the 44 Councillors and their staff.
- The 2010 Recommended Operating Budget supports City Council's ability to address, through its policy agenda, the following strategic priorities:
 - Facilitating active participation of community involvement in all aspects of civic life.
 - Responding to and supporting the diverse needs and interests of its constituents.
 - Maintaining the financial integrity of the City.
- City Council's key service objective is to ensure that high quality affordable services are provided to the Community, while maintaining a system of responsible and accountable governance to develop the City of Toronto to make it a more desirable place for the community to live in.
- The 2010 Recommended Operating Budget provides funding for City Council to formulate the City's strategic directions, priorities and policies, and to enable Councillors to act in their role as representative of their constituents and the City.
- For 2009, City Council's year-end net favourable variance is projected to be \$1.200 million or 6.2% below the 2009 Approved Operating Budget. This is mainly attributable to some individual Councillors spending less than their office expense budgets and not fully expending their staff salary budget.

Table 1: 2010 Recommended Budget

(In \$000s)	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
	\$	\$	\$	\$	\$			\$	\$
GROSS EXP.	19,451.5	18,251.5	20,453.4	0.0	20,453.4	1,001.9	5.2	606.9	48.5
REVENUE	0.0	0.0	700.0	0.0	700.0	700.0	NA	0.0	0.0
NET EXP.	19,451.5	18,251.5	19,753.4	0.0	19,753.4	301.9	1.6	606.9	48.5
Approved Positions	176.0	176.0	176.0	0.0	176.0	0.0	0.0	0.0	0.0

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
NET BUDGET	18,695.8	19,753.4	1,057.6	17,991.8
PROGRAM REDUCTION (\$)	(972.6)	(338.4)	634.2	(972.6)
PROGRAM REDUCTION (%)	(5.0)	(1.7)	3.3	(5.0)

- The 2010 Recommended Operating Budget of \$20.453 million gross and \$19.753 million net represents an increase of \$0.302 million or 1.6% over the 2009 Approved Operating Budget of \$19.452 million and achieved Program reductions of \$0.338 million or 1.7% compared to \$0.973 million or 5% reduction target.
- The 2010 Recommended Operating Budget of \$19.753 million net is comprised of base funding of \$19.753 million net and no new funding for new/enhanced services. The 2010 Recommended Operating Budget of \$19.753 million net includes one-time savings from recommended service changes totaling \$0.338 million.
 - The Outlook for 2011 projects an increase of \$0.607 million for cost of living allowance (COLA) for Councillors and their staff of \$0.221 million, inflationary increases for non-payroll items of \$0.048 million and a reversal of 2010 one-time gapping of Councillors’ Staff positions in the amount of \$0.338 million.
 - The Outlook for 2012 projects an increase of \$0.049 million which is comprised of inflationary increases for non-payroll items.
- The 2010 Recommended Base Budget provides funding for the following key cost drivers:
 - Cost of living allowance (COLA) for Councillors and their staff results in an increase to salaries and benefits of \$0.217 million in 2010.
 - A change in the fringe benefit rate from 22% to 23.5% for Councillors’ staff to reflect actual experience results in an increase of \$0.135 million.
 - Reversal of one-time gapping approved in 2009 results in a pressure of \$0.273 million.
 - A review of salary costs based on 2009 actual experience results in an increase of \$0.015 million.

- Budgetary provision for severance pay for Councillors and Staff in anticipation of 2010 Municipal Elections results in a pressure of \$0.700 million gross and \$0.000 net.
- The cost drivers noted above will be partially offset by savings of \$0.338 million from the recommended gapping of Councillors' Staff Salaries & Benefits.
- Approval of this recommended Service Change assumes service levels will be maintained at 2009 levels with a staffing complement of 176 positions.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2010 Recommended Operating Budget for City Council of \$20.453 million gross and \$19.753 million net, comprised of the following services:

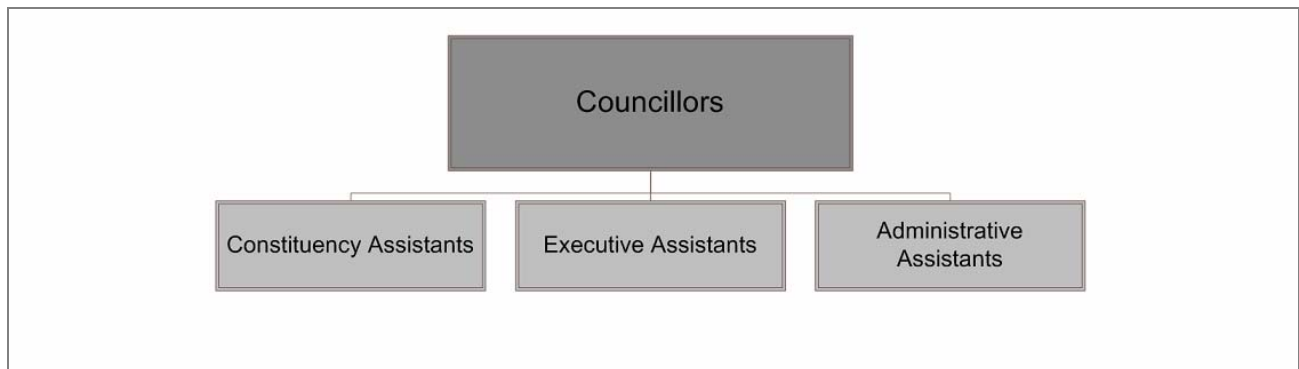
<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Councillors' Salaries & Benefits Budget	5,405.2	5,405.2
Councillors' Staff Salaries & Benefits Budget	10,941.3	10,941.3
Councillors' Office Expenses Budget	2,336.4	2,336.4
Councillors' Business Travel Expenses Budget	50.0	50.0
Councillors' General Expenses Budget	<u>1,720.4</u>	<u>1,020.4</u>
 Total Program Budget	 <u><u>20,453.4</u></u>	 <u><u>19,753.4</u></u>

PART II: 2010 SERVICE OVERVIEW AND PLAN

Mission Statement

The City of Toronto Council sets corporate strategic direction, priorities and policies; authorizes the raising of revenues and approves the expenditures of funds for the provision of services in the City. The Council Program provides the administrative and other resources that Councillors require to carry out their duties.

Program Map



Toronto City Council consists of 44 Councillors, one representing each of the City's wards. The City Council 2010 Recommended Operating Budget maintains 2009 service levels to support the 44 Councillors and their staff.

The focus of City Council is to provide high quality and affordable services that respond to the needs of our communities and invest in infrastructure to support city building.

Service Objectives

The 2010 Recommended Operating Budget supports City Council's key strategic directions, priorities and objectives.

- City Council's objectives are guided by the following principles:
 - Represent the public and consider the well-being and interests of the city.
 - Develop and evaluate the policies and programs of the City and determine which services the City provides.
 - Ensure that administrative and controllership policies, practices and procedures are in place to implement the decisions of Council.

- Ensure the accountability and transparency of the operations of the City, including the activities of the senior management of the City.
- Maintain the financial integrity of the City.

PART III: 2009 EXPERIENCE

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

(In \$000s)	2008 Actuals	2009 Approved Budget	2009 Projected Actuals*	2009 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	18,209.9	19,451.5	18,251.5	(1,200.0)	(6.2)
REVENUES	106.6	0.0	0.0	0.0	0.0
NET EXP.	18,103.3	19,451.5	18,251.5	(1,200.0)	(6.2)
Approved Positions	176.0	176.0	176.0	0.0	0.0

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

2009 Budget Variance Analysis

The Third Quarter Variance report for City Council projects that the Program will be \$1.200 million or 6.2% below the 2009 Approved Operating Budget of \$19.452 million by year-end.

- The Council Member's Office Expense Budget is under-spent by \$0.900 million as some Council Members have not fully expended their office budgets for the period.
- Staff Salaries & Benefits are under-spent by \$0.163 million as some Councillors have not fully expended their staff salary budget.
- Council's General Administration Budget is under-spent by \$0.158 million, mainly due to Contribution to Reserve Funds for Councillors and Staff severance payments which will be transferred before year-end.

Impact of 2009 Operating Variance on the 2010 Recommended Budget

- The 2009 projected under-expenditures are not anticipated to recur in 2010.

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)	\$	\$	\$	%	\$	\$
GROSS EXP.	19,451.5	20,453.4	1,001.9	5.2	606.9	48.5
REVENUE	0.0	700.0	700.0	NA	0.0	0.0
NET EXP.	19,451.5	19,753.4	301.9	1.6	606.9	48.5
Approved Positions	176.0	176.0	0.0	0.0	0.0	0.0

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
NET BUDGET	18,695.8	19,753.4	1,057.6	17,991.8
PROGRAM REDUCTION (\$)	(972.6)	(338.4)	634.2	(972.6)
PROGRAM REDUCTION (%)	(5.0)	(1.7)	3.3	(5.0)

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

(In \$000s)	2010 Required Reductions	2011 Required Reductions
2009 Approved Budget (September 30)	19,451.5	
Pressures Reported with 2010/2011 Outlook	216.9	268.5
Pressures Not Reported with 2010 / 2011 Outlook	423.4	338.4
5% Reduction Target	(972.6)	(972.6)
Additional Pressures not in 2010 Reported Outlook	(423.4)	(338.4)
Program Reduction Target	(1,396.0)	(1,311.0)
Net Budget Target	18,695.8	17,991.8

2010 Recommended Base Budget

The 2010 Recommended Base Budget of \$19.753 million net represents a \$0.302 million or 1.6% increase over City Council’s 2009 Approved Operating Budget of \$19.452 million. The 2010 Recommended Base Budget includes \$0.640 million or 3.3% in base budget increases, which have been partially offset by a decrease of \$0.338 million arising from recommended Service Changes.

The 2010 Recommended Base Budget of \$19.753 million net includes recommended Program reductions of \$0.338 million or 1.7% for service efficiencies compared to \$0.973 million or 5% reduction target.

Approval of the 2010 Recommended Base Budget will result in the Program's total staff complement remaining at 176 positions.

2010 Base Budget Key Cost Drivers

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

- Cost of living allowance (COLA) for Councillors and their staff requires an increase of \$0.217 million for salaries and benefits.
- Increase in the fringe benefit rate from 22% to 23.5% for Councillors' staff to reflect actual experience requires an additional funding of \$0.135 million for salaries and benefits.
- Reversal of one-time gapping approved in 2009 \$0.273 million.
- A review of salary costs based on actual 2009 experience results in savings of \$0.015 million.
- Budgetary provision for severance pay for Councillors and Staff in anticipation of the 2010 Municipal Elections of \$0.700 million gross, \$0.000 net.

2010 Service Changes

The Program's 2010 Recommended Base Budget includes one-time service change savings of \$0.338 million that will result in incremental impacts of \$0.338 million in 2011. The recommended service change is summarized below:

Minor Service Level Change

- Gapping of Councillors' Staff Salaries & Benefits - \$0.338 million

2011 and 2012 Outlook: Net Incremental Impact

Approval of the 2010 Recommended Base Budget for City Council will result in a 2011 incremental impact of \$0.607 million and a 2012 incremental impact of \$0.049 million to maintain the 2010 level of service and staff complement. Future year costs are primarily attributed to the following:

- In 2011, net expenditures will increase by \$0.221 million for cost of living allowance (COLA) for Councillors and their staff, \$0.048 million for inflationary costs for non-payroll items and \$0.338 million for the reversal of gapping of Councillors' Staff Salaries and Benefits taken in 2010.
- In 2012, net expenditures will increase by \$0.049 million for non-payroll inflationary 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
Service Efficiencies:						
Revenue Changes:						
Minor Service Level Changes: One-time 3% gapping of Councillors' staff		(338.4)	(338.4)	(1.7)	338.4	
Major Service Level Changes:						
Sub-Total Service Changes	0.0	(338.4)	(338.4)	(1.7)	338.4	0.0
Total Changes	0.0	(338.4)	(338.4)	(1.7)	338.4	0.0

2010 Recommended Service Changes

The budgetary impact of implementing the following service change is included in the 2010 Recommended Base Budget, resulting in one-time savings of \$0.338 million in 2010. Approval of the recommended service change will result in the staff complement remaining at 176 positions.

Service Changes

The following recommended service change included in City Council’s 2010 Recommended Base Budget is discussed below.

Minor Service Impact

Gapping of Councillors’ staff

A one-time 3% gapping of Councillors’ staff salaries will result in a savings of \$0.338 million. This service change has been identified as a 2010 savings only and will result in a cost pressure for 2011.

The total complement of 176 positions remains unchanged.

PART VII: ISSUES FOR DISCUSSION**2010 Budget Issues****2010 Recommended Operating Budget vs Target**

The 2010 Recommended Operating Budget of \$19.753 million does not meet the 5% reduction target. It will require an additional \$1.058 million to meet the 2010 Recommended Operating budget of \$18.696 million. Meeting the 2011 5% reduction target will be even more challenging, as one-time gapping savings of Councillors' staff salaries in 2010 will be reversed.

Councillors' Severance Reserve

At its meeting of November 25, 26 and 27, 1998, City Council adopted "*Conditions of Employment – Council Staff Members.*" In addition, City of Toronto By-law, Chapter 233, states that all members of Council who have served for a minimum of 30 days shall be paid severance remuneration upon ceasing to be a member. In the 2007 operating budget process, Council approved the establishment of the "Council Severance Cost Reserve Account" for the purpose of providing funding for future severance costs for Council members and their staff. Annual funding in the amount of \$0.175 million is contributed to the Councillor Severance Cost Reserve from the City Council Operating Budget. The balance at the end of 2009 was \$0.525 million. An additional \$0.175 million is available in 2010, resulting in total funding of \$0.700 million for severance payouts as a result of the 2010 Municipal Election.

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
		\$	\$	\$	\$	\$
2009 Council Approved Operating Budget	176.0	19,445.7	0.0	19,445.7	0.0	0.0
Technical Adjustments						
In-Year Budget Adjustments		5.8		5.8		
2009 Approved Operating Budget	176.0	19,451.5	0.0	19,451.5	0.0	0.0
Prior Year Impacts:						
Annualizations from Prior Year						
Reversals from Prior Year		272.9		272.9		
Operating Impacts of Capital						
Zero Base Items						
Economic Increases:						
Salary		352.0		352.0	220.9	
Non Salary					47.6	48.5
Adjusted Base Budget	176.0	20,076.4	0.0	20,076.4	268.5	48.5
Base Expenditure Changes		715.4		715.4		
Base Revenue Changes			700.0	(700.0)		
2010 Base Budget Prior to Service Changes	176.0	20,791.8	700.0	20,091.8	268.5	48.5
Recommended Service Changes:						
Service Efficiencies						
Revenue Changes						
Minor Service Level Changes		(338.4)		(338.4)	338.4	
Major Service Level Changes						
Total Recommended Base Changes	0.0	(338.4)	0.0	(338.4)	338.4	0.0
2010 Recommended Base Budget	176.0	20,453.4	700.0	19,753.4	606.9	48.5

Appendix B
Summary of Service Changes

Appendix D

Program Summary by Expenditure Category
(in \$000s)

CLUSTER: OTHER CITY PROGRAMS PROGRAM: CITY COUNCIL							
	2009 Approved Budget	2009 Projected Actuals	2010 Recommended Budget	Change from 2009 Approved Budget		2011 Outlook	2012 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	16,315.7	15,695.1	17,317.6	1,001.9	6.1%	17,876.9	17,876.9
Materials and Supplies	2,084.0	1,504.6	2,084.0	0.0	0.0%	2,125.5	2,167.8
Equipment	17.0	17.0	17.0	0.0	0.0%	17.3	17.5
Services & Rents	440.1	440.1	440.1	0.0	0.0%	446.0	451.9
Contributions to Capital							
Contributions to Reserve/Res Funds	292.9	292.9	292.9	0.0	0.0%	292.9	292.9
Other Expenditures				0.0	n/a	0.0	0.0
Interdivisional Charges	301.8	301.8	301.8	0.0	0.0%	301.8	301.8
TOTAL GROSS EXPENDITURES	19,451.5	18,251.5	20,453.4	1,001.9	5.2%	21,060.4	21,108.8
Interdivisional Recoveries				0.0	n/a		
Provincial Subsidies				0.0	n/a		
Federal Subsidies				0.0	n/a		
Other Subsidies				0.0	n/a		
User Fees & Donations				0.0	n/a		
Transfers from Capital Fund				0.0	n/a		
Contribution from Reserve Funds			700.0	700.0	n/a	700.0	700.0
Contribution from Reserve				0.0	n/a		
Sundry Revenues				0.0	n/a		
TOTAL REVENUE	0.0	0.0	700.0	700.0	n/a	700.0	700.0
TOTAL NET EXPENDITURES	19,451.5	18,251.5	19,753.4	301.9	1.6%	20,360.4	20,408.8
APPROVED POSITIONS	176.0	176.0	176.0	0.0	0.0%	176.0	176.0

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
		\$	\$	\$	\$
Government Relations Reserve	XQ0009	37.0	37.0	37.0	37.0
Cont. to Insurance Res. Funds	XR1010	32,534.1	80.9	80.9	80.9
Total Reserve / Reserve Fund Draws / Contributions			117.9	117.9	117.9

Program Specific Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Description	2010*	2011	2012
			\$	\$	\$
Councillors' Severance Reserve	XQ0010	Beginning Balance	525.0	0.0	175.0
		Proposed Withdrawals (-) / Contributions (+)	(700.0)		
			175.0	175.0	175.0
		Total Proposed Contributions (Withdrawals)	(525.0)	175.0	175.0
(RESERVE NAME / #) BALANCE AT YEAR END			0.0	175.0	350.0

*Balance as of December 2009