

Analyst Briefing Notes

Budget Committee - February 16, 2010

PART I: 2010 OPERATING BUDGET

Executive Summary	2
Recommendations	7

PART II: 2010 SERVICE OVERVIEW AND PLAN

Mission Statement	8
Program Map	8
2010 Recommended Service: Overview	8

PART III: 2009 EXPERIENCE

2009 Accomplishments	11
2009 Budget Variance Analysis	12
Impact of 2009 Operating Variance on 2010 Recommended Budget	12

PART IV: 2010 RECOMMENDED BASE BUDGET

2010 Recommended Base Budget	13
2010 Key Cost Drivers	14
2010 Service Changes	14

PART V: RECOMMENDED SERVICE CHANGES

2010 Recommended Service Changes	17
--	----

PART VI: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS

2010 Service Priority Actions	20
-------------------------------------	----

PART VII: ISSUES FOR DISCUSSION

2010 Budget Issues	22
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	23
--	----

Appendix B: Summary of Service Changes	24
---	----

Appendix C: Summary of 2010 Recommended New/Enhanced Service Priority Actions	25
--	----

Appendix D: Program Summary by Expenditure Category	26
--	----

Appendix E: Inflows / Outflows to / from Reserves and Reserve Funds	27
--	----

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

Ron Budhu
 Senior Financial Planning Analyst
 Tel: (416) 397-4559

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

- The Office of the Treasurer provides a broad range of internal financial services to the Corporation of the City of Toronto and is comprised of four divisions: Accounting Services (including accounts payable), Revenue Services (property tax, water billing and collection, parking tag collection), Pension, Payroll and Employee Benefits and Purchasing and Materials Management.
- The Office of the Treasurer's service objectives include:

Financial Planning and Fiscal Sustainability

- Continue support for the City's fiscal sustainability by administering billings and collections for property taxes and utility accounts (for water/sewer services and solid waste collection), revenue collection for parking ticket payments, and by administering corporate revenue-generating programs, including the Municipal Land Transfer Tax (MLTT) and the Personal Vehicle Tax (PVT).
- Develop a talent management program which includes: recruitment, hiring, retention, development and training of appropriately skilled staff; identify opportunities for cross-training between Corporate and Divisional staff; foster a healthy and balanced work environment.

Service Excellence

- Complete Service Level agreements with client divisions: continue to work with the client Divisions to establish, review or update service level agreements to ensure delivery of services that meet customer and business needs.
- Deliver Inventory Management & Control Techniques training course to appropriate staff; stores catalogue improvement on Intranet; materials standardization through the Materials Management Coordinating Committee.
- Develop and prototype new financial reporting and reporting of tangible capital assets standards (Public Sector Accounting Board (PSAB)).
- Commence roll-out of the E-Procurement Implementation Plan and relevant performance measures.

Leverage Information Technology

- Explore, evaluate and implement systems enhancements and information technology improvements in business processes to enhance services to the public, stakeholders and City divisions and agencies, boards and commissions (includes broadening the use of web based services).

- Review program delivery channels and methods, and implement policies and procedures to enhance customer service in all operations, and explore the use of E-services to enable internet-based access to Revenue Services' programs and services.
- Take advantage of the available functionality of SAP in order to improve current business processes and reporting requirements e.g. Capital asset accounting.

Policy Development and Compliance

- Develop and maintain corporate policies, procedures and guidelines to ensure the protection and efficient use of the City's assets e.g. Capital asset recording and reporting, deposits receipt and refund, assist in Financial control by-law revision particularly capital expenditure eligibility and budget control, improve SAP Capital reports.
 - Plan, implement and administer: (a) new provincial legislation and directives related to the four year phase-in of property assessment increases; (b) new Corporate initiatives related to the introduction of updated property assessment values for taxation years 2009-2012 inclusive; and (c) property tax incentive programs approved by Council as part of its "Enhancing Toronto's Business Climate" strategy and the "Toronto's Imagination, Manufacturing, Innovation and Technology (IMIT) Financial Incentives Program".
- 2009 accomplishments for the Office of the Treasurer include:
 - Participated in the Management Committee meetings of the Canada-Ontario-Municipal funded and TTC-managed Toronto York Spadina Subway Extension.
 - Introduced invoice imaging functionality to support a full electronic accounts payable solution.
 - Received the prestigious GFOA Award for Financial Reporting for the second year in a row for the Annual Financial Report for the year ended December 31, 2007.
 - Participated in and supported collective agreement bargaining for Locals 79 & 416.
 - Successfully launched the Water Meter Reading website and launched an updated Interactive Voice Response (IVR) Telephone System for Parking Ticket Payments and Water Meter Readings.
 - Installed a new electronic Customer Service Numbering System to provide more efficient service and reduce line-ups at the Metro Hall Parking Ticket Counter.
 - Implemented updated assessment values and the provincially legislated 4-Year Phase-In of assessment increases for all properties in the City.
 - For 2009, the Office of the Treasurer projects year-end net expenditures of \$28.405 million, \$2.059 million or 6.8% under the 2009 Approved Operating Budget of \$30.464 million net. This favourable variance primarily resulted from under spending in salaries and benefits related to the delays in filling vacant positions and filling new positions for the Municipal Land Transfer Tax (MLTT), Personal Vehicle Tax (PVT) and Utility billing initiative. This favourable variance will be partially reduced by lower than anticipated recoveries as a result of under-spending in

salaries and benefits on new initiatives (\$4.5 million) and tax and utility certificate revenues (\$0.700 million).

- The 2010 Recommended Operating Budget for the Office of the Treasurer includes reduction strategies that will eliminate 26 positions in 2010 with savings totalling \$1.027 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
	\$	\$	\$	\$	\$	\$	%	\$	\$
(In \$000s)									
GROSS EXP.	73,355.2	66,125.0	73,064.7	2,606.0	75,670.7	2,315.5	3.2	2,181.1	(920.1)
REVENUE	42,891.1	37,719.6	43,207.4	2,981.0	46,188.4	3,297.3	7.7	1,284.0	(1,551.0)
NET EXP.	30,464.1	28,405.4	29,857.3	(375.0)	29,482.3	(981.8)	(3.2)	897.1	630.9
Approved Positions	798.0	725.0	775.0	29.0	804.0	6.0	0.8	4.0	(10.0)

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
NET BUDGET	31,493.5	29,482.3	(2,011.2)	31,533.9
PROGRAM REDUCTION (\$)	(1,523.2)	(1,973.7)	(450.5)	(1,523.2)
PROGRAM REDUCTION (%)	(5.0)	(6.5)	(1.5)	(5.0)

- The 2010 Recommended Operating Budget for Office of the Treasurer of \$75.671 million gross and \$29.482 million net is \$0.982 million or 3.2% below the 2009 Approved Operating Budget, and achieves Program reductions of \$1.974 million or 6.5% of the 2009 Approved Budget, which is \$0.451 million or 1.5% greater than the reduction target for Office of the Treasurer in 2010.
- The 2010 Recommended Operating Budget for Office of the Treasurer is comprised of base funding of \$73.065 million gross and \$29.857 million net and funding for new/enhanced priority actions of \$2.606 million gross and (\$0.375 million) net. There are 26 new temporary resources recommended in 2010 for the new FPARS/SAP Foundation project and 3 temporary staff to support the eProcurement Implementation project. Approval of the 2010 Recommended Budget will result in the Program’s total staff complement increasing from 798 to 804 approved positions as a result of a net reduction of 23 base positions due to service changes and an increase of 29 new resources to complete capital projects.
- The 2010 Recommended Operating Budget for the Office of the Treasurer results in incremental future year net increases impacts to the Program of \$0.897 million in 2011 and \$0.631million in 2012.
 - In 2011, projected increases of \$1.684 million for COLA, progression pay and step increases and salary for new capital resources will be partially offset by \$0.787 million in additional reduction from service changes.

- The 2012 Outlook anticipates incremental increases of \$0.511 million for progression pay and step increases and salary for new capital resource of \$0.120 million.
- The Office of the Treasurer has presented 2011 reduction options during the 2010 Operating budget process towards the Program's 2011 reduction target of \$1.523 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 results in an increase to salaries and benefits of \$1.506 million.
 - Annualized operating impacts of the Corporate Fixed Assets capital project in the amount of \$0.224 million.
 - Non-salary inflationary factors account for \$0.274 million.
 - Reversal of vendor discount increase of \$0.110 million.
- The cost drivers noted above will be partially offset by the following savings included in the 2010 Recommended Base Budget:
 - Maintaining 2009 gapping rate of 2.8% resulting in salary savings of \$0.056 million.
 - A review of actual salary costs results in a salary adjustment reduction of \$0.270 million.
 - Increase in recoveries from Internal Divisions of \$0.821 million which includes COLA, step and progression pay increases.
- The Program's 2010 Recommended Operating Budget includes service changes with net reductions of \$1.974 million for 2010 and reductions of \$0.787 million in 2011. The 2010 service changes result in \$1.048 million in service efficiency savings; \$0.947 million revenue increases; and a net cost of \$0.022 million for minor service level changes. Through the reassignment and absorption of additional duties by existing staff, the Office of the Treasurer can maintain 2009 service levels while eliminating 26 positions,
- Approval of the Service Changes will result in a net increase of 6 approved positions increasing the complement to 804.
- 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 26 temporary positions in 2010 for the period 2010 through 2012 is required to support the capital investment into SAP to re-engineer the Accounting and Payroll business processes, build systems, train staff and begin delivering functional information.
- The 2010 Recommended Operating Budget for Office of the Treasurer provides funding for the Program to complete, continue and initiate the following activities:

- Improve and enhance customer service delivery in all service areas, including developing strategies to enhance customer service and broaden the use of E-services to provide internet-based access to Revenue Services programs and services.
- Carry out a service review on the Pension, Payroll & Employee Benefits division to consolidate the various business areas, incorporate best practices and introduce self-service functionality.
- Undertake a planning and scoping exercise for the e-Procurement Implementation Plan.
- Maintain 88% payment cycle time for vendor invoices within 60 days.
- Introduce a fully electronic payable solution by way of implementation of invoice imaging functionality.
- Assist in the implementation of the SAP business process change initiative.
- Maintain an inventory distribution standard within 7 calendar days of the order.
- On-going sustainment of new corporate revenues introduced in 2008 (Municipal Land Transfer Tax, Personal Vehicle Tax and Solid Waste Collection fees).
- Implement new taxation policies/programs/user fees as approved by Council.
- Continue to implement organizational improvements from the Accounting Services program review.
- Continue to provide efficient materials and warehousing services as well as operating and maintaining warehouse locations identified for stockpiling Personal Protective Equipment (PPE) and Infection Control (IC) supplies as part of the Corporate Pandemic Influenza Preparation Plan.
- Continue to provide accurate and timely transaction processing and quality Financial Reporting and Control services and ensure compliance with the accounting regulatory bodies, Federal and Provincial legislation and Council priorities.
- Continue to produce timely and accurate Payroll and cost effective employee pension and benefits.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2010 Recommended Operating Budget for the Office of the Treasurer \$75.671 million gross and \$29.482 million net, comprised of the following services:

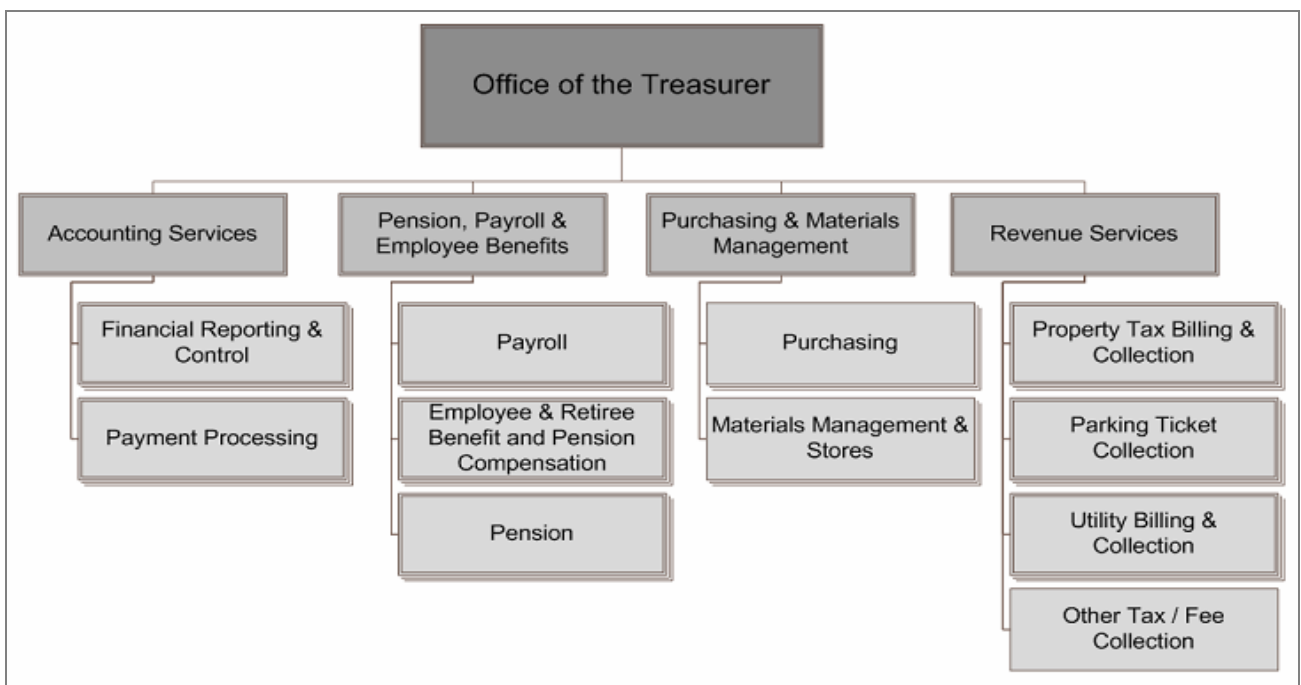
<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Pension, Payroll and Employee Benefits	13,420.0	10,384.6
Purchasing & Materials Management	10,150.2	6,710.7
Accounting Services	13,049.5	9,164.0
Revenue Services	39,051.0	3,223.0
	<hr/>	<hr/>
Total Program Budget	<u>75,670.7</u>	<u>29,482.3</u>

PART II: 2010 SERVICE OVERVIEW AND PLAN

Mission Statement

The Office of the Treasurer provides effective financial and employee services to Divisions, Agencies, Boards & Commissions by ensuring accurate & timely pension, payroll & benefit services; procurement & materials management services; accounting, banking & accounts payable services; and billing, collection and payment processing services related to property taxation, water and sewage services, solid waste fees and parking tags.

Program Map



The Office of the Treasurer provides a broad range of internal financial services to the corporation of the City of Toronto, including ABCs and supports the strategic priorities of Council. These services are delivered through four main service areas:

- **Accounting Services** provides quality accounting and financial advisory services to all City divisions and City Agencies, Boards and Commissions in compliance with professional accounting principles, legislation, and Council policy. The following services are provided: prompt payment of the City's disbursement obligations; preparation of the City's summary financial results of the City's ABCs and preparation of the Provincial Financial Information Return (FIR); development, maintenance and protection of the integrity of the City's financial information systems; and provision of advice on accounting matters to all city divisions.
- **Pension, Payroll & Employee Benefits** provides accurate and timely pension, payroll and benefits services to employees and pensioners by processing the City's payroll and maintaining accurate employee information; administering the various City pension and benefit plans;

processing the City's pension payroll and maintain accurate pensioner information; and providing information to and responding to all inquiries from city employees regarding payroll, payroll and benefit information.

- **Purchasing & Materials Management Division** ensures the best value to the taxpayers of the City of Toronto in the acquisition of goods and services by providing leadership, quality customer service and the application of open, fair, equitable and accessible business processes and practices to all City Divisions and designated Agencies, Boards and Commissions; administering appropriate delegation of commitment authority; and developing innovative business practices.
- **Revenue Services** is responsible for revenue billing, collection and administration of revenues related to property taxation; water and sewage services; solid waste fees, and parking tickets. The division is also responsible for services relating to Personal Vehicle Tax; Municipal Land Transfer Tax, Business Improvement Areas and TTC VIP Metropass Program.

Service Objectives

The Office of the Treasurer 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 Treasurer's service objectives for 2010 and beyond:

- **Financial Planning and Fiscal Sustainability**
 - Ensure continued support for the City's fiscal sustainability by administering billings and collections for property taxes and utility accounts (for water/sewer services and solid waste collection), revenue collection for parking ticket payments, and by administering corporate revenue-generating programs, including Municipal Land Transfer Tax (MLTT) and Personal Vehicle Tax (PVT).
 - Provide broad-based training to a target audience to improve awareness of accounting reports and requirements e.g. Cost element usage, cash deposit process and control.
 - Assist in implementation of cost-centre structure and related changes arising from FPARS.
 - Develop a talent management program: recruitment, hiring, retention, development and training of appropriately skilled staff; identify opportunities for cross-training between Corporate and Divisional staff; foster a healthy and balanced work environment.
- **Service Excellence**
 - Pandemic Influenza Procurement and Stockpile Planning.
 - Complete Service Level agreements with client divisions: continue to work with the client Divisions to establish, review or update service level agreements to ensure delivery of services that meet customer and business needs.
 - Continuous improvement initiatives: deliver Inventory Management & Control Techniques training course to appropriate staff; stores catalogue improvement on Intranet; materials standardization through the Materials Management Coordinating Committee.

- Develop a strategy to improve and enhance customer service delivery in all service areas (Revenue Services).
- Improve customer service through establishing reasonable measures for service standards and undertaking periodic surveys.
- Provide efficient and effective payment processing.
- Improve the look, layout and content of the each Division's Web Page.
- **Leverage Information Technology**
 - Explore, evaluate and implement systems enhancements and information technology improvements in business processes to enhance services to the public, stakeholders and City divisions and agencies, boards and commissions (includes broadening the use of web based services).
 - Review program delivery channels and methods, and implement policies and procedures to enhance customer service in all operations, and explore the use of E-services to enable internet-based access to Revenue Services' programs and services.
 - Take advantage of the available functionality of SAP in order to improve current business processes and reporting requirements e.g. Capital asset accounting.
 - Implementation of e-procurement feasibility study recommendations.
- **Policy Development and Compliance**
 - Develop and maintain corporate policies, procedures and guidelines to ensure the protection and efficient use of City's assets e.g. Capital asset recording and reporting, Deposits receipt and refund, assist in Financial control by-law revision particularly capital expenditure eligibility and budget control, improve SAP Capital reports.
 - Plan, implement and administer: (a) new provincial legislation and directives related to the four year phase-in of property assessment increases; (b) new Corporate initiatives related to the introduction of updated property assessment values for taxation years 2009-2012 inclusive; and (c) property tax incentive programs approved by Council as part of its "Enhancing Toronto's Business Climate" strategy and the "Toronto's Imagination, Manufacturing, Innovation and Technology (IMIT) Financial Incentives Program".
 - Develop/update human resources/payroll policies.

PART III: 2009 EXPERIENCE**2009 Accomplishments**

The Office of the Treasurer's major accomplishments in 2009 include:

- Introduced invoice imaging functionality to support a complete electronic accounts payable solution.
- Received the prestigious GFOA Award for Financial Reporting for the second year in a row for the Annual Financial Report for the year ending December 31, 2007.
- Participated in and supported the collective agreement bargaining with Local 416 and Local 79, achieving the City's mandate of a net zero increase to benefit costs and introducing a new short-term disability Illness or Injury Plan to reduce sick leave liabilities.
- Implemented 2009 Local 79 and Local 416 collective agreement changes.
- Implemented enhanced payroll functionality within SAP which included new Web based enabled features for record of employment (ROE), New Infotype to control employee bank payouts and changes to the pension configuration in SAP.
- Claimed and received approximately \$1.5 million in commodity tax recoveries.
- Rolled out and completed \$50,000 DPO Limit training for 33 of the 44 divisions with an expected completion in the 4th quarter of 2009 to all remaining Divisions, with the exception of Toronto Water staff who are scheduled to be trained in the 1st quarter of 2010
- Implemented 2009 Pandemic Procurement and Stockpiling Plan.
- Successfully launched Water Meter Reading website.
- Launched an updated Interactive Voice Response (IVR) Telephone System for Parking Ticket Payments and Water Meter Readings.
- Installed a new electronic Customer Service Numbering System to provide more efficient service and reduce line-ups at the Metro Hall Parking Ticket Counter.
- Implemented updated assessment values and the provincially legislated 4-Year Phase-In of assessment increases for all properties in the City.
- Participated in the development of procedures for the recording, reporting and filing of claims for projects approved under the 2009-2011 Federal Infrastructure Stimulus Fund (ISF) and Recreational Infrastructure Canada (RInC) programs.
- Participated in the Management Committee meetings of the Canada-Ontario-Municipal funded and TTC-managed Toronto York Spadina Subway Extension project and provided monthly

reports on funding received and projected reserve fund balance for inclusion in the Project Status Management Report.

- Prepared procedures for recording of expenditures, provided weekly updates of estimated savings, and compiled report to Executive Committee on the 2009 Labour Disruption costs and savings.

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.	63,600.9	73,355.2	66,125.0	(7,230.2)	(9.9)
REVENUES	37,880.4	42,891.1	37,719.6	(5,171.5)	(12.1)
NET EXP.	25,720.5	30,464.1	28,405.4	(2,058.7)	(6.8)
Approved Positions	778.0	798.0	725.0	(73.0)	(9.1)

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

2009 Budget Variance Analysis

The Office of the Treasurer’s Third Quarter Variance report projects that the Program will be \$2.059 million or 6.8% below the 2009 Approved Operating Budget of \$30.464 million by year-end.

- The projected gross under expenditure includes savings in Salaries & Benefits arising from delays in filling vacant positions (\$2.0 million); a delay in the start-up of new initiatives such as Utility Billing, Municipal Land Transfer Tax (MLTT) and Personal Vehicle Tax (PVT) with an estimated savings of \$2.9 million as well as under-spending of \$1.0 million allocated for purchasing assets for Pandemic Warehousing and the Municipal Land Transfer Tax (MLTT).
- The projected gross under expenditure at year-end will be partially offset by lower recoveries as a result of gross under spending in staff compensation related to new initiatives (\$4.500 million); and lower than anticipated tax/utility certificate revenue (\$0.700 million).

Impact of 2009 Operating Variance on the 2010 Recommended Budget

- The Office of the Treasurer has included in the 2010 Recommended Operating Budget budgeted gapping of \$1.766 million and reduction strategies to eliminate 26 positions in 2010 for savings of \$1.027 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)	\$	\$	\$	%	\$	\$
GROSS EXP.	73,355.2	73,064.7	(290.5)	(0.4)	777.1	510.9
REVENUE	42,891.1	43,207.4	316.3	0.7	0.0	0.0
NET EXP.	30,464.1	29,857.3	(606.8)	(2.0)	777.1	510.9
Approved Positions	798.0	775.0	(23.0)	(2.9)	(3.0)	0.0

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
NET BUDGET	31,493.5	29,857.3	(1,636.2)	31,533.9
PROGRAM REDUCTION (\$)	(1,523.2)	(1,598.7)	(75.5)	(1,523.2)
PROGRAM REDUCTION (%)	(5.0)	(5.2)	(0.2)	(5.0)

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

(In \$000s)	2010 Required Reductions	2011 Required Reductions
2009 Approved Budget (September 30)	30,464.1	
Pressures Reported with 2010 / 2011 Outlook	2,552.6	1,563.6
Pressures Not Reported with 2010 / 2011 Outlook	0.0	0.0
5% Reduction Target	(1,523.2)	(1,523.2)
Additional Pressures not in 2010 Reported Outlook	0.0	0.0
Program Reduction Target	(1,523.2)	(1,523.2)
Net Budget Target	31,493.5	31,533.9

2010 Recommended Base Budget

The 2010 Recommended Base Budget of \$29.857 million net represents a \$0.607 million or 2.0% decrease over the Office of the Treasurer’s 2009 Approved Operating Budget of \$30.464 million net. The 2010 Recommended Base Budget includes funding of \$0.992 million for base budget increases, which have been fully offset by \$1.599 million in budget reductions arising from recommended Service Changes, resulting in the Office of the Treasurer exceeding its Program reduction target of \$1.523 million by \$0.075 million or 0.2%.

It should be noted that in addition to the base service changes, the 2010 Recommended Operating Budget for the Office of the Treasurer includes Council approved new revenue of \$0.375 million that contributes to achieving the Program target. As a result, Total Program Reductions are \$1.974 million net. (Please see Part V: 2010 Recommended Service Changes).

Approval of the 2010 Recommended Base Budget will result in the Program's total approved complement decreasing from 798 to 775 approved positions as a result of the elimination of 26 positions arising from recommended service changes and an increase of 3 temporary positions to continue with capital projects and program review implementation.

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 \$1.033 million for salaries and benefits.
- Step and progression pay increments of \$0.473 million.
- Annualized amount of \$0.224 million for creating and updating databases for the Corporate Fixed Asset capital project.
- Non-Salary economic factors account for \$0.274 million.
- Reversal of vendor discount increase of \$0.110 million.

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

- Maintain the 2009 gapping rate of 2.8% will result in a reduction of \$0.056 million.
- Salary adjustment based on a review of actual experience, resulting in savings of \$0.270 million.
- Increase in Inter- Divisional Charges of \$0.089 million to reflect inflationary changes.
- Changes due to staff compensation increased Inter-Divisional Recoveries of \$0.910 million.

2010 Service Changes

The Office of the Treasurer's 2010 Recommended Base Budget includes service change savings of \$1.599 million with incremental impacts of \$0.787 million in 2011. The recommended 2010 service changes will result in incremental savings of \$1.048 million in efficiency savings, \$0.572 million in revenue changes and \$0.022 million in minor service costs changes.

The recommended service changes are summarized below:

Service Efficiencies

- Streamlining of the Accounts Receivable unit resulting in savings of \$0.027 million.
- Business process efficiencies and increased productivity in Accounts Payable resulting in savings of \$0.047 million in 2010 and \$0.153 million in 2011.

- Streamlining of Accounting Services' Financial Reporting function will result in savings of \$0.208 million in 2010 and \$0.078 million in 2011.
- A review of the Pension, Payroll and Employees Benefits Division will result in savings of \$0.266 million in 2010 and \$0.056 million in 2011.
- A review of the current operations versus the planned original proposal for MLTT billings has resulted in savings of \$0.500 million in 2010 and \$0.500 million in 2011.

Revenue Change

- Increase in existing user fees of \$0.147 million.
- Volume adjustment resulting in user fees increases of \$0.200 million to reflect actual volume experience.
- Increase existing fee for using the City's telephone Interactive Voice Response (IVR) system to make a payment for a parking ticket will generate additional revenues of \$0.225 million.

Minor Service Level Changes

- Reduction in 1 permanent vacant Administrative Support position effective January 1, 2010 with Program savings of \$0.049 million.
- Deletion of 1 permanent vacant Administrative Support position effective January 1, 2010 with Program savings of \$0.049 million as a result of retirement in 2009.
- Elimination of 11 temporary vacant positions following implementation of the Utility Billing and Collection system. Expenditures of \$0.700 million will be reduced and reflected through reductions in inter-divisional charges to Solid Waste Management by \$0.700 million and to Toronto Water by \$0.120 million resulting in a net cost of \$0.120 million in 2010.

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 Treasurer will result in a 2011 incremental cost increase of \$0.777 million and a 2012 incremental increase of \$0.511 million to maintain the 2010 level of service and staff complement. Future year costs are primarily attributed to the following:

- The 2011 Outlook for the Office of the Treasurer anticipates incremental net expenditure increases of \$1.564 million for COLA, progression pay and step increases, which are partially offset by \$0.787 million in additional savings from service changes.
 - The 2010 Recommended Operating Budget will result in a 2011 incremental service change savings of \$0.787 million to assist the Program in achieving their 2011 reduction target of \$1.523 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 \$0.511 million for progression pay and step increases as well as salary for the new permanent staff for the FPARS capital project with PPEB.

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
Base Change Summary	0.0	0.0	0.0	0.0%		
Service Efficiencies:						
Streamline processes within Accounts Receivable	(1.0)	(27.0)	(27.0)	(0.1%)		
Process efficiencies/increased production within Accounts Payable		(7.3)	(47.3)	(0.2%)	(152.9)	(2.0)
Streamline Financial Reporting and Banking	(3.0)	(208.0)	(208.0)	(0.7%)	(78.1)	(1.0)
Review of current vacant positions and future positions	(7.0)	(266.0)	(266.0)	(0.9%)	(55.5)	
Administrative Savings MLTT Program	(2.0)	(500.0)	(500.0)	(1.6%)	(500.0)	
Revenue Adjustments:						
Increase in existing user fees			(147.1)	(0.5%)		
Volume adjustment of current user fees			(200.0)	(0.7%)		
Increase to existing Parking Tag user fees			(225.0)	(0.7%)		
Minor Service Impact:						
Reduction in Administrative Support - Professional Services	(1.0)	(49.0)	(49.0)			
Reduction in Administrative Support - Policy, Training and Tech	(1.0)	(48.9)	(48.9)			
Utility Billing and Collection	(11.0)	(700.4)	119.6			
Sub-Total Service Changes	(26.0)	(1,806.6)	(1,598.7)	(5.2%)	(786.5)	(3.0)
New/Enhanced Service Priority Actions *		(375.0)	(375.0)	(0.0)	0.0	0.0
Total Changes	(26.0)	(2,181.6)	(1,973.7)	(6.5%)	(786.5)	(3.0)

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 \$1.599 million in 2010 and additional savings of \$0.787 million in 2011. Approval of the recommended service changes will result in a reduction of 26 vacant permanent positions reducing the Office of the Treasurer's complement to 775 approved positions.

Service Changes

The following 11 recommended service changes included in the Office of the Treasurer's 2010 Recommended Base Budget are discussed below.

Service Efficiencies***Streamline Processes within Accounts Receivable (\$0.027 million, net)***

The 2010 Recommended Operating Budget for the Office of the Treasurer includes service efficiency savings of \$0.027 million resulting from the Program Review Process. The use of an automated process will allow the Program to combine some positions resulting in the elimination of 2 permanent positions and the creation of a new position for corporate oversight in all accounts receivable matters.

Process efficiencies/increased production within Accounts Payable (\$0.047 million, net)

Full implementation of the Accounts Payable invoice imaging and purchasing module will provide efficiencies and an increased level of productivity resulting in savings of \$0.047 million (\$.040 million from rebates) in 2010 and \$0.153 million (\$0.065 million in rebates) in 2011 with a reduction of 2 permanent vacant positions.

Streamline Financial Reporting (\$0.208 million, net)

Streamlining of internal processes within Accounting Services' Financial Reporting unit will result in the elimination of 3 permanent positions (2 vacant) in 2010 and an additional position in 2011 for savings of \$0.208 million in 2010 and \$0.078 million in 2011.

Review of Current Vacant Positions and Future Positions (\$0.266 million, net)

A review of the Pension, Payroll and Employees Benefits Division resulted in the deletion of 5 vacant positions in Payroll and a further 2 positions, due to become vacant in 2010, will result in savings of \$0.266 million in 2010 and \$0.056 million in 2011.

Administrative Savings for MLTT Billing Program (\$0.500 million, net)

A review of the MLTT Billing Program now in the second year of operation has resulted in savings of \$0.142 million for the deletion of 2 vacant positions and \$0.358 million for reduction in equipment purchases in 2010 and a further \$0.500 million to be reduced in 2011.

Revenue Changes***Increase in Existing User Fees (\$0.147 million, net)***

City Council approved increases in administrative user fee rates effective January 1, 2010, that will result in \$0.147 million in increased revenues. The charge for issuance of a prior year tax receipt will be increased from \$5 to \$16 per account generating \$0.120 million; charges to add to the tax roll for collection will be increased from \$35 to \$50 increasing revenues by \$0.019 million and the preparation of a tax calculation statement will be increased from \$35 to \$50 resulting in increased revenues of \$0.008 million.

Volume Adjustment of Current User Fee (\$0.200 million, net)

An increase to the volume based on actual experience in processing statement of accounts since the fees were implemented in 2008 will result in increased revenues of \$0.200 million.

Increase to Existing Parking Tag User Fees (\$0.225 million, net)

City Council approved increases to the existing fee effective January 1, 2010, for using the City's telephone Interactive Voice Response (IVR) system to make a payment for a parking ticket will be increased from \$1.50 to \$2.00 per transaction generating additional revenues of \$0.225 million.

Minor Service Level Changes***Reduction in Administrative Support –Professional Services (\$0.049 million, net)***

The Reduction of 1 vacant permanent Administrative Support position effective January 1, 2010 will result in savings of \$0.049 million. Deletion of this position may result in increased response time, reduced service levels and an increase in overtime.

Reduction in Administrative Support –Policy, Training and Technical unit (\$0.049 million, net)

The deletion of 1.0 permanent Administrative Support position effective January 1, 2010 will result in savings of \$0.049 million as a result of retirement in 2009. There will be minimal delays in service delivery.

Utility Billing and Collection (\$0.820 million gross, \$0.120 million net)

The elimination of 11 temporary positions that were identified as required to cover the anticipated increase in work volumes associated with the introduction of the Utility Billing and Collection system as well as reductions in operating costs for utility billings will result in savings of \$0.700 million. Following the project implementation, these positions have been deemed non critical to maintain service levels.

The costs of Utility billings incurred are charged to the Toronto Water and Solid Waste Management Services' Operating Budgets based on a relative allocation of staffing and operational costs for each set of utility billing requirements. Elimination of the positions that are recovered from the Toronto Water and Solid Waste revenue user fees will reduce overall program costs to Solid Waste Management by \$0.700 million and to Toronto Water by \$0.120 million but will result in a net cost of \$0.120 million in 2010 to Revenue Services.

New/Enhanced Service Priority Actions

In addition to Base and Service Changes, 1 New Service Priority Action is included for 2010 that will generate new user fee revenue of \$0.375 million that has already been approved by City Council in December 2009. As a result, the Program has achieved total reductions of \$1.974 million or 6.5% of the 2009 approved Operating Budget for the Office of the Treasurer.

(Please see Part VI: Recommended new Service Priority Actions).

**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
Enhanced Services:							
(a) Enhanced Services - Council Approved							
(b) Enhanced Services - Program Initiated							
Customer Service Strategy Development	250.0	0.0					
Pension, Payroll and Employee Benefit Service Review	250.0	0.0					
Sub-Total Enhanced Services	500.0	0.0	0.0	0.0	0.0	0.0	0.0
New Services:							
(a) New Services - Council Approved							
FPARS - Planning and Budgeting Implementation with Business Process Reconfiguration - Accounting Services	635.0	0.0	8.0	120.0	2.0		
FPARS - Planning and Budgeting Implementation with Business Process Reconfiguration - PPEB	1,230.0	0.0	18.0	-	4.0	120.0	(9.0)
e-Procurement Implementation Plan Capital Project	241.0	0.0	3.0	-	1.0	0.0	(1.0)
(b) New Services - Program Initiated							
New Tax Account Set Up Fee	0.0	(375.0)	0.0				
Sub-Total New Services	2,106.0	(375.0)	29.0	120.0	7.0	120.0	(10.0)
Total Enhanced/New Services	2,606.0	(375.0)	29.0	120.0	7.0	120.0	(10.0)

2009 Recommended New / Enhanced Service Priority Actions

Enhanced Service Priority Actions

Program Initiated

Customer Service Strategy Development

Revenue Services will develop a strategy to enhance and improve customer service delivery associated with property tax and utility billings and parking tag payments and broaden the use of E-services to provide internet-based access to Revenue Services programs and services, in light of the launch of 311 where the public will become accustomed to more efficient and faster responses. The

Program will examine current resource levels and current processes to determine how systems upgrades and enhancements will allow them to improve services. Funding of \$0.250 million will be provided from the Innovation Reserve Fund.

Pension, Payroll and Employee Benefit Service Review

A service review will be conducted in the Pension, Payroll and Employee Benefits division in consultation with an external consultant. This will result in the streamlining of processes and business delivery including the deletion of some existing positions as a result of consolidation of responsibilities. This review will be conducted in 2010 and implementation will be phased in 2011 and 2012. Funding of \$0.250 million will be provided from the Innovation Reserve Fund.

New Services

Council Approved

FPARS- Planning and Budgeting Implementation with Business Process Reconfiguration- Accounting Services and Pension, Payroll & Employee Benefits

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.

To begin the implementation, the 2010 Recommended Operating Budget includes funding of \$1.865 million, \$0 net for 26 temporary resources (either for backfill or temporary hires) for Pension, Payroll and Employee Benefits (\$1.230 million gross) and Accounting Services (\$0.635 million) starting in April 2010.

eProcurement Implementation Plan Capital Project

The 2010 Approved Capital Budget for Financial Services included funding of \$0.241 million for 3 temporary positions (1 Project Manager and 2 business Analysts) to support the planning and scoping exercise for the Procurement Implementation Plan capital project. Two additional analysts will be hired with the elimination of one Business Analyst position in 2011 requiring incremental funding of \$0.224 million.

New Tax Account Setup Fee

Effective January 1, 2010 a new administrative \$50 user fee will be charged for every new property tax account that is added to the tax roll generating additional revenues of \$0.375 million.

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 and integration of the PBF 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 business processes like accounting, payroll, purchasing and work order management.

There will be significant changes to the SAP accounting modules and time entry modules to support FPARS. This will impact business processes that PPEB supports (e.g. reporting, time entry, payroll updates to financials) and will require a team of 22 temporary dedicated positions consisting of divisional staff to deliver the system and business process change. 18 temporary positions are required in 2010 to ensure the divisional team can deliver FPARS with an additional 4 starting in 2011. The 22 temporary dedicated positions are needed for the following project roles: 1 Supervisor Production Support, 6 Sr. Financial & Systems Analysts, 1 Financial & Systems Analyst, 12 Sr. Payroll Clerks and 2 Trainer Business Process resources.

Accounting Services will require 8 temporary dedicated resources in the following project roles: 3 Business Analysts (Sr. Financial Analyst), 2 Training co-ordinators (Financial Application Systems Analyst), 1 Security Administrator (Sr. Financial Analyst), 1 Data co-ordinator (Sr Financial Analyst) and 1 Testing co-ordinator.

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
		\$	\$	\$	\$	\$
2009 Council Approved Operating Budget	800.0	72,926.8	43,025.5	29,901.3		
Technical Adjustments	(2.0)	429.8	(134.4)	564.2		
In-Year Budget Adjustments		(1.4)		(1.4)		
2009 Approved Operating Budget	798.0	73,355.2	42,891.1	30,464.1	0.0	0.0
Prior Year Impacts:						
Annualizations from Prior Year	1.0	27.0		27.0		
Reversals from Prior Year		(246.3)	(356.3)	110.0		
Operating Impacts of Capital	2.0	223.6		223.6	3.6	3.7
Zero Base Items						
Economic Increases:						
Salary		1,525.6	20.4	1,505.2	1,560.0	507.2
Non Salary		273.7		273.7		
Adjusted Base Budget	801.0	75,158.8	42,555.2	32,603.6	1,563.6	510.9
Base Expenditure Changes		(287.5)	(49.7)	(237.8)		
Base Revenue Changes			909.8	(909.8)		
2010 Base Budget Prior to Service Changes	801.0	74,871.3	43,415.3	31,456.0	1,563.6	510.9
Recommended Service Changes:						
Service Efficiencies	(13.0)	(1,008.3)	40.0	(1,048.3)	(786.5)	
Revenue Changes			572.1	(572.1)		
Minor Service Level Changes	(13.0)	(798.3)	(820.0)	21.7		
Major Service Level Changes						
Total Recommended Base Changes	(26.0)	(1,806.6)	(207.9)	(1,598.7)	(786.5)	0.0
2010 Recommended Base Budget	775.0	73,064.7	43,207.4	29,857.3	777.1	510.9

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 Treasurer							
	2009 Approved Budget	2009 Projected Actuals	2010 Recommended Budget	Change from 2009 Approved Budget		2011 Outlook	2012 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	59,630.6	50,913.9	61,668.7	2,038.1	3.4%	64,349.8	63,429.7
Materials and Supplies	1,935.7	1,483.8	1,973.7	38.0	2.0%	1,973.7	1,973.7
Equipment	1,153.6	150.3	539.6	(614.0)	(53.2%)	339.6	339.6
Services & Rents	6,939.6	6,585.8	7,505.6	566.0	8.2%	7,205.6	7,205.6
Contributions to Capital	500.0	500.0	500.0	0.0	0.0%	500.0	500.0
Contributions to Reserve/Res Funds	239.3	237.5	283.1	43.8	18.3%	283.1	283.1
Other Expenditures	1,204.6	1,204.6	1,404.6	200.0	16.6%	1,404.6	1,404.6
Interdivisional Charges	1,751.8	5,049.1	1,795.5	43.7	2.5%	1,795.5	1,795.5
TOTAL GROSS EXPENDITURES	73,355.2	66,125.0	75,670.8	2,315.6	3.2%	77,851.9	76,931.8
Interdivisional Recoveries	31,343.3	27,628.9	31,411.0	67.7	0.2%	31,411.0	31,411.0
Provincial Subsidies							
Federal Subsidies							
Other Subsidies							
User Fees & Donations	6,759.4	6,538.0	7,706.6	947.2	14.0%	7,706.6	7,706.6
Transfers from Capital Fund	1,148.6	949.3	3,227.6	2,303.0	200.5%	4,446.6	2,895.6
Contribution from Reserve Funds	606.1	202.9	879.8	273.7	45.2%	879.8	879.8
Contribution from Reserve							
Sundry Revenues	3,033.7	2,400.5	2,963.5	(70.2)	(2.3%)	3,028.5	3,028.5
TOTAL REVENUE	42,891.1	37,719.6	46,188.5	3,521.4	8.2%	47,472.5	45,921.5
TOTAL NET EXPENDITURES	30,464.1	28,405.4	29,482.3	(1,205.8)	(4.0%)	30,379.4	31,010.3
APPROVED POSITIONS	798.0	725.0	804.0	6.0	0.8%	808.0	798.0

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
		\$	\$	\$	\$
Insurance Reserve Fund	XR1010	34,005.8	110.3	110.3	110.3
Vehicle Reserve	XQ1600	402.1	172.8	172.8	172.8
Emergency Planning Reserve	XQ1406	629.8	(379.8)	0.0	0.0
Innovation Reserve Fund	XR1713	1,908.2	(500.0)	0.0	0.0
Total Reserve / Reserve Fund Draws / Contributions			(596.7)	283.1	283.1