



City Budget 2012

Office of the Chief Financial Officer Operating Budget Analyst Notes

The City of Toronto's budget is presented by program and service, in Analyst Note format. The City's Operating Budget pays the day-to-day operating costs for City services.

2012 Operating Budget

2012 OPERATING BUDGET ANALYST BRIEFING NOTES BUDGET COMMITTEE NOVEMBER 28, 2011

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PART I: RECOMMENDATIONS

2012 Recommended Operating Budget (In \$000s)

(In \$000s)	2011		2012 Recommended Operating Budget			Change - 2012 Recommended Operating Budget v. 2011 Appvd. Budget		FY Incremental Outlook	
	2011 Appvd. Budget	2011 Projected Actual	2012 Rec. Base	2012 Rec. New/Enhanced	2012 Rec. Budget		%	2013	2014
	\$	\$	\$	\$	\$			\$	\$
GROSS EXP.	15,761.4	13,418.0	16,765.0	0	16,765.0	1,003.6	6.4	(18.7)	(1,377.7)
REVENUE	6,465.7	4,492.7	8,166.8	0	8,166.8	1,701.1	26.3	(208.1)	(1,729.7)
NET EXP.	9,295.7	8,925.3	8,598.2	0	8,598.2	(697.5)	(7.5)	189.4	352.0
Approved Positions	144.0	106.0	140.0	0	140.0	(4.0)	(2.8)	(6.0)	(9.0)

Target Comparison	10% Reduction Target	2012 Rec.'d Reduction	2012 10% Reduction vs. 2012 Rec'd Reduction	Target %
2012 Reductions	(874.0)	(874.0)	-	10.0%

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2012 Recommended Operating Budget for The Office of the Chief Financial Officer of \$16.765 million gross and \$8.598 million net, comprised of the following services:

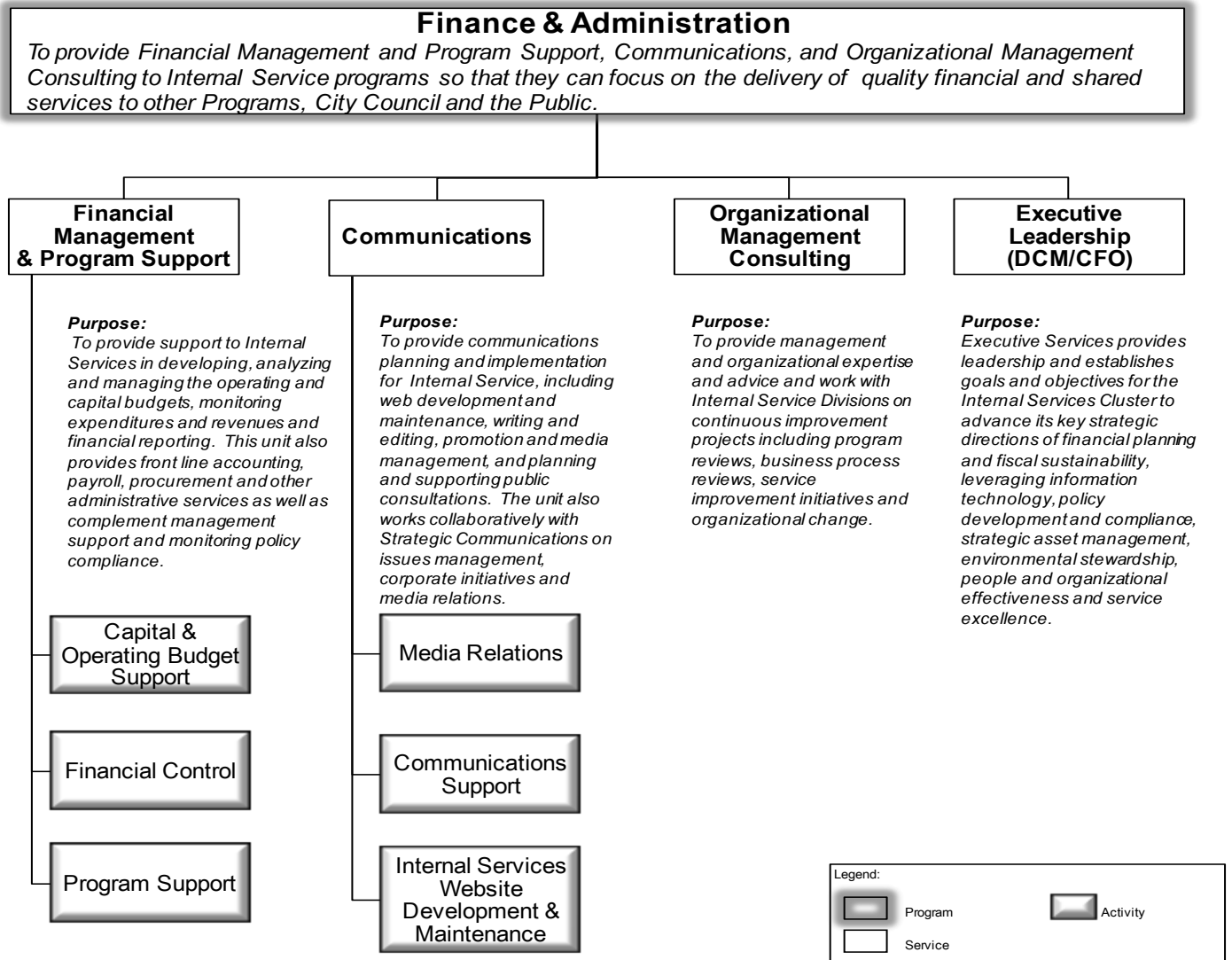
	Gross	Net
<u>Service(s):</u>	<u>(\$000s)</u>	<u>(\$000s)</u>
Finance & Administration	2,946.5	2,682.5
Corporate Finance	4,109.3	1,341.7
Financial Planning	9,104.0	4,159.3
Special Projects	605.2	414.7
Total Program Budget	16,765.0	8,598.2

2. The information contained in Confidential Attachment 1 remains confidential until the outcome of Council's decision has been communicated to the Unions and affected staff.

PART II: 2012 SERVICE OVERVIEW AND PLAN

Program Map and Service Profiles

The Office of the Chief Financial Officer delivers four main services, Finance and Administration, Corporate Finance, Financial Planning and Special Projects, as detailed in the following Program Maps:



- Financial Management & Program Support**
- City Manager
 - DCM/CFO
 - Budget Committee
 - Internal Services Divisions
 - Other City Divisions

- Communications**
- Mayor and Councillors
 - City Manager and DCMs
 - Internal Services Divisions
 - Other City Divisions
 - City Staff
 - Property Owners/Taxpayers
 - Media

- Organizational Management Consulting**
- DCM/CFO
 - Internal Services Divisions

- Executive Leadership (DCM/CFO)**
- City Manager and DCMs
 - City Council and Committees
 - Mayor and Councillors
 - City Divisions and Agencies
 - Property Owners/Taxpayers
 - Media

Service Types and Levels

Service	Activity	Type	2011 Current Service Level	2012 Proposed Service Level	
Executive Leadership (DCM/CFO)					
Financial Management & Program Support	Capital & Operating Budget Support	Capital Budget	Capital Budget and 10 Year Plan of Capital Works prepared annually	Capital Budget and 10 Year Plan of Capital Works prepared annually	
		Operating Budget	Operating Budget prepared annually	Operating Budget prepared annually	
	Financial Control	Financial Oversight	accounts analysis and journal entries review ed monthly	accounts analysis and journal entries review ed monthly	accounts analysis and journal entries review ed monthly
			review and coordination of cluster signing authorities completed annually	review and coordination of cluster signing authorities completed annually	review and coordination of cluster signing authorities completed annually
		Management Reports	Attendance Management Reports prepared and distributed monthly	Attendance Management Reports prepared and distributed monthly	Attendance Management Reports prepared and distributed monthly
			Consultants' expenditure report prepared annually	Consultants' expenditure report prepared annually	Consultants' expenditure report prepared annually
			DPO Activity Report, Blanket Contracts, PO Compliance and Parked Document reports review ed and distributed monthly	DPO Activity Report, Blanket Contracts, PO Compliance and Parked Document reports review ed and distributed monthly	DPO Activity Report, Blanket Contracts, PO Compliance and Parked Document reports review ed and distributed monthly
			Hiring Slow dow n Report prepared as required	Hiring Slow dow n Report prepared as required	Hiring Slow dow n Report prepared as required
			Statistics Canada Report on Capital Expenditures is prepared and submitted semi-annually	Statistics Canada Report on Capital Expenditures is prepared and submitted semi-annually	Statistics Canada Report on Capital Expenditures is prepared and submitted semi-annually
	Payroll Reports	Additional Cost, Bank Balance and Labour Distribution and Overtime Reports prepared and distributed bi-weekly	Additional Cost, Bank Balance and Labour Distribution and Overtime Reports prepared and distributed bi-weekly	Additional Cost, Bank Balance and Labour Distribution and Overtime Reports prepared and distributed bi-weekly	
	Variance Reports	Capital and Operating Variance Reports and Cluster Performance Statistics are prepared and consolidated quarterly	Capital and Operating Variance Reports and Cluster Performance Statistics are prepared and consolidated quarterly	Capital and Operating Variance Reports and Cluster Performance Statistics are prepared and consolidated quarterly	
	Program Support	Accounting	Cheque requisitions, goods receipt, new vendor accounts and petty cash reimbursements are processed w ithin 3-5 business days of receipt	Cheque requisitions, goods receipt, new vendor accounts and petty cash reimbursements are processed w ithin 3-5 business days of receipt	Cheque requisitions, goods receipt, new vendor accounts and petty cash reimbursements are processed w ithin 3-5 business days of receipt
			Pcard transactions are review ed and approved monthly	Pcard transactions are review ed and approved monthly	Pcard transactions are review ed and approved monthly
			Retention of accounting records on a daily basis	Retention of accounting records on a daily basis	Retention of accounting records on a daily basis
Organizational Support		Cluster summary of Conferences/seminars is compiled annually for DCMs approval	Cluster summary of Conferences/seminars is compiled annually for DCMs approval	Cluster summary of Conferences/seminars is compiled annually for DCMs approval	
		Organizational change approval (OCA) requests are review ed and processed w ithin 10 business days of receipt	Organizational change approval (OCA) requests are review ed and processed w ithin 10 business days of receipt	Organizational change approval (OCA) requests are review ed and processed w ithin 10 business days of receipt	
		Organizational charts are revised as required	Organizational charts are revised as required	Organizational charts are revised as required	
		Staff requisition requests are review ed and sent for DCM approval w ithin 5-8 days of receipt	Staff requisition requests are review ed and sent for DCM approval w ithin 5-8 days of receipt	Staff requisition requests are review ed and sent for DCM approval w ithin 5-8 days of receipt	

Service Types and Levels

Service	Activity	Type	2011 Current Service Level	2012 Proposed Service Level
Financial Management & Program Support		Payroll	Benefit changes and employee payroll data updates are processed w ithin 10 business days from date of notification	Benefit changes and employee payroll data updates are processed w ithin 10 business days from date of notification
			Reimbursement of employee expenses are processed bi-w eekly	Reimbursement of employee expenses are processed bi-w eekly
			Time and attendance reporting and pay advice distribution are completed bi-w eekly	Time and attendance reporting and pay advice distribution are completed bi-w eekly
			Retention of payroll records on a daily basis	Retention of payroll records on a daily basis
		Purchasing	Contract release orders (CRO), corporate express requisitions, divisional purchase orders (DPO), material stores requisitions are processed w ithin 3-5 business days	Contract release orders (CRO), corporate express requisitions, divisional purchase orders (DPO), material stores requisitions are processed w ithin 3-5 business days
			Purchase requisitions and sole source documentation are processed w ithin 5-10 business days	Purchase requisitions and sole source documentation are processed w ithin 5-10 business days
			Corporate calls are managed w ithin standards established by PMMD	Corporate calls are managed w ithin standards established by PMMD
			Retention of purchasing records on a daily basis	Retention of purchasing records on a daily basis
Communications	Communications Support		Communications support for projects led by Internal Services divisions	Communications support for projects led by Internal Services divisions
	Internal Services Website Development & Maintenance		Rebuild, update and maintain Internal Services w eb pages	Rebuild, update and maintain Internal Services w eb pages
	Media Relations		Respond to media calls w ithin one business day	Respond to media calls w ithin one business day
Organizational Management Consulting			Project specific	Project specific

Corporate Finance
To provide strategic and risk management expertise to protect and improve the City of Toronto's long term financial position.

Investment & Debt Management

Purpose:
Proactively manages the City's investment and debt to ensure the safety of principal, availability of funds when needed and maximum rates of return, and to minimize the cost of debt.

Risk Management & Insurance

Purpose:
Provides proactive Capital Management to protect the general public, employees, and City's physical and financial assets by reducing risk in the most efficient and cost-effective manner through the use of risk financing and control techniques

Long Term Financial Strategies & Analysis

Purpose:
Protects and enhances the City's financial interests by providing strategic business and financial advice including, but not limited to, revenue raising strategies, financial asset optimization, and reserve fund strategies.



Service Customer

Investment & Debt Management

- Corporation
- Divisions
- Agencies
- Owned Subsidiaries
- Pension Funds
- Sinking Fund Committee
- Investment Advisory Committee

Risk Management & Insurance

- Claimants
- Insured Employees & Councillors
- Corporation
- Divisions
- Agencies (except Toronto Transit Commission, Toronto Community Housing Corporation, Toronto Parking Authority)

Long Term Financial Strategies & Analysis

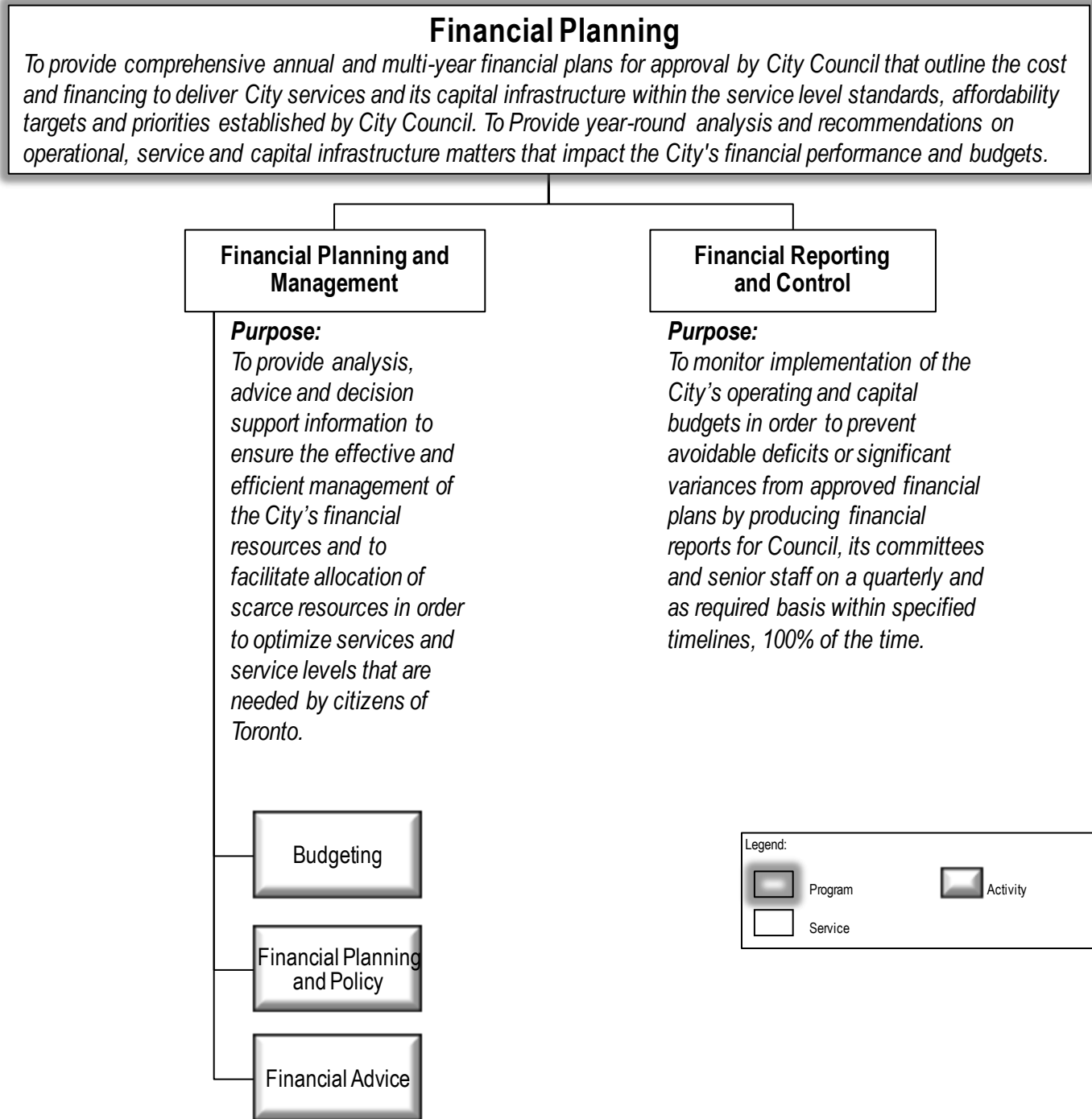
- Council
- Mayor
- Divisions
- Agencies including Toronto Hydro, Toronto Community Housing Corporation, Enwave District Energy Corporation

Service Types and Levels

Service	Type	2011 Current Service Level	2012 Proposed Service Level
Investment and Debt Management	Bond Funds	Available funds are invested in either the money market or bond funds based on management's assessment of the duration for which the investments should be held	Available funds are invested in either the money market or bond funds based on management's assessment of the duration for which the investments should be held
	Business Analysis ~ investment/debt strategy for owned subsidiaries	Issues are resolved in a timely manner and effort required is directly related to complexity of issue being resolved	Issues are resolved in a timely manner and effort required is directly related to complexity of issue being resolved
	City Owned Subsidiaries	Reviews of business plans and financial statements are completed within 1 week	Reviews of business plans and financial statements are completed within 1 week
	Debentures	Spreads change on a daily basis based on capital markets. Credit ratings generally set once per year	Spreads change on a daily basis based on capital markets. Credit ratings generally set once per year
	Loan or line of credit agreements executed	Financial performance of recipient organizations is assessed at least annually, but more frequently if information is available or issues are identified	Financial performance of recipient organizations is assessed at least annually, but more frequently if information is available or issues are identified
	Money Market Funds	Available funds are invested in either the money market or bond funds based on management's assessment of the duration for which the investments should be held	Available funds are invested in either the money market or bond funds based on management's assessment of the duration for which the investments should be held
	Sinking Funds	Funds are invested to return 100% of the principal to lenders at the time each debt tranche matures. Surplus funds may be returned to the City's accounts and used to offset new debt issuance, per Council approved policy	Funds are invested to return 100% of the principal to lenders at the time each debt tranche matures. Surplus funds may be returned to the City's accounts and used to offset new debt issuance, per Council approved policy
Risk Management and Insurance	Insurance ~ Claims Management – General Liability	Claimants notified within 2 weeks. Resolution of claims is often outside of City control and timing can range from a matter of days to several years where there is litigation or complicating factors	Claimants notified within 2 weeks. Resolution of claims is often outside of City control and timing can range from a matter of days to several years where there is litigation or complicating factors
	Insurance ~ Claims Management – Other Coverage	Claimants notified within 2 weeks. Resolution of claims is often outside of City control and timing can range from a matter of days to several years where there is litigation or complicating factors	Claimants notified within 2 weeks. Resolution of claims is often outside of City control and timing can range from a matter of days to several years where there is litigation or complicating factors
	Insurance ~ Insurance Consulting	In accordance with each contract being reviewed	In accordance with each contract being reviewed
	Insurance ~ Letters of Credit	Letters of credit are generally released within 3 days. Turnaround time for each transaction is recorded but not currently summarized	Letters of credit are generally released within 3 days. Turnaround time for each transaction is recorded but not currently summarized
	Insurance ~ Risk Financing – insurance policies, self insured funding	Coverage through external insurers is contracted annually and supplements internally funded levels. Deductible levels are approved by City Council and the upside limit of policy coverages are secured through the insurance markets and approved by Council.	Coverage through external insurers is contracted annually and supplements internally funded levels. Deductible levels are approved by City Council and the upside limit of policy coverages are secured through the insurance markets and approved by Council.
	Risk Management ~ Consultation and Advice	In accordance with each issue being reviewed	In accordance with each issue being reviewed
	Risk Management ~ Performance Bonds	In accordance with each security being reviewed	In accordance with each security being reviewed
Risk Management ~ Strategies and Policies	In accordance with each issue being reviewed	In accordance with each issue being reviewed	

Service Types and Levels

Service	Type	2011 Current Service Level	2012 Proposed Service Level
Long Term Financial Strategies and Analysis	Business Analysis ~ Major purchases and contract review	Comments provided w ith 48 hours for most documents. Each document is review ed at the level of detail required based on its size and complexity. Turnaround times are generally established in consultation w ith the client divisions	Comments provided w ith 48 hours for most documents. Each document is review ed at the level of detail required based on its size and complexity. Turnaround times are generally established in consultation w ith the client divisions
	Business Analysis ~ Revenue and economic competitiveness	Reports prepared in accordance w ith Council Committee deadlines	Reports prepared in accordance w ith Council Committee deadlines
	Business Analysis ~ RFP/RFQ evaluation	In accordance w ith each bid being review ed	In accordance w ith each bid being review ed
	Financial Advisory/Strategy ~ Financial Analysis and Advice	Responses are concluded as quickly as possible taking into consideration the nature of the request and time involved, along w ith the consideration of other priorities	Responses are concluded as quickly as possible taking into consideration the nature of the request and time involved, along w ith the consideration of other priorities
	Financial Advisory/Strategy ~ Long Term financial planning	Reports and presentations prepared in accordance w ith Council Committee deadlines and the timing of the budget process	Reports and presentations prepared in accordance w ith Council Committee deadlines and the timing of the budget process
	Financial Advisory/Strategy ~ Project Management	Responses to client divisions established based on their timing and requirements. Effort involved depends on size and complexity of issue. Timing for reports to Council is in accordance w ith Committee deadlines	Responses to client divisions established based on their timing and requirements. Effort involved depends on size and complexity of issue. Timing for reports to Council is in accordance w ith Committee deadlines
	Financial Advisory/Strategy ~ Monitoring, compliance review and administration of funding and cost sharing agreements w ith Federal and Provincial governments	Per turnaround, reporting and other requirements of each agreement	Per turnaround, reporting and other requirements of each agreement
	Financial Advisory/Strategy ~ Review of financial implications and opportunities in statutory and judicial matters, e.g. provincial legislation	Responses prepared in accordance w ith source and nature of issue being addressed	Responses prepared in accordance w ith source and nature of issue being addressed
	Financial Policy ~ Capital financing	Report submitted as part of budget approval process to seek Council authority for borrow ing requirements	Report submitted as part of budget approval process to seek Council authority for borrow ing requirements
	Financial Policy ~ City of Toronto Act Taxes	Service levels dependent on source of report required, e.g. Council may request certain policy changes, w ith specified deadlines	Service levels dependent on source of report required, e.g. Council may request certain policy changes, w ith specified deadlines
	Financial Policy ~ Property tax	Reported to Committee in accordance w ith their deadlines and in conjunction w ith budget process. By-law is required to be approved by City Council, per COTA	Reported to Committee in accordance w ith their deadlines and in conjunction w ith budget process. By-law is required to be approved by City Council, per COTA
	Financial Policy ~ Reserve Funding	As required for each new reserve fund and in accordance w ith Committee schedules and deadlines	As required for each new reserve fund and in accordance w ith Committee schedules and deadlines
	Financial Policy ~ Water rate	Analysis completed and reports prepared and signed by Committee deadline in accordance w ith budget process	Analysis completed and reports prepared and signed by Committee deadline in accordance w ith budget process



Service Customer

Financial Planning and Management

- Corporation
- Taxpayer/Stakeholders (Bond rating Agencies, etc.)

Financial Reporting and Control

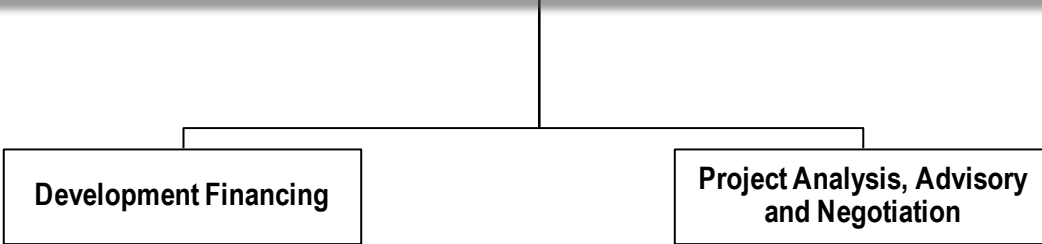
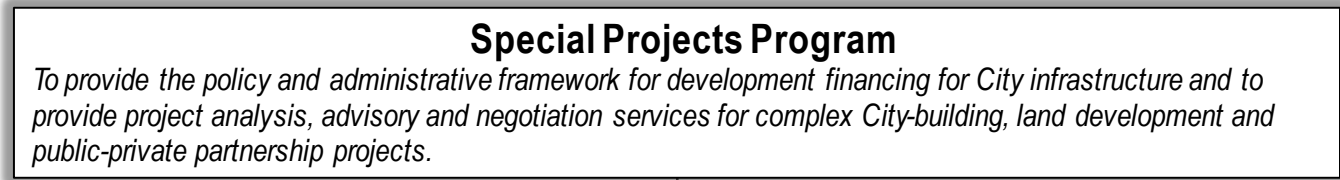
- Corporation
- Taxpayer/Stakeholders (Bond rating Agencies, etc.)

Service Types and Levels

Service	Activity	Type	2011 Current Service Level	2012 Proposed Service Level	
Budgeting	Capital	Analysis/ Recommendation provided	A recommended Capital budget and plan, annually, in accordance w ith Council's mandates	A recommended Capital budget and plan, annually, in accordance w ith Council's mandates	
		Decision Support	Released at least 24 hours for notes and 7 days for Reports, prior to council / committee meeting, 100% of the time	Released at least 24 hours for notes and 7 days for Reports, prior to council / committee meeting, 100% of the time	
		Process Management	Process updated document and delivered 6 weeks in advance of submission guidelines	Process updated document and delivered 6 weeks in advance of submission guidelines	
	Operating	Analysis/ Recommendation provided	Balanced Operating budget approved annually by end of year	Balanced Operating budget approved annually by end of year	
		Decision Support	Released at least 24 hours for notes and 7 days for Reports, prior to council / committee meeting, 100% of the time	Released at least 24 hours for notes and 7 days for Reports, prior to council / committee meeting, 100% of the time	
		Process Management	Process updated document and delivered 6 weeks in advance of submission guidelines	Process updated document and delivered 6 weeks in advance of submission guidelines	
	Financial Advice	Decision Support	Council Support	Meeting agenda closing deadlines 100% of the time	Meeting agenda closing deadlines 100% of the time
			Initiatives	Meeting agenda closing deadlines 100% of the time	Meeting agenda closing deadlines 100% of the time
			Issues Management	Responses released w ithin prescribed timelines 100% of the time	Responses released w ithin prescribed timelines 100% of the time
Reports			Meeting agenda closing deadlines 100% of the time	Meeting agenda closing deadlines 100% of the time	
State of Financial Affairs		Intergovernmental	Provided necessary information to support negotiated stance, 100% of the time	Provided necessary information to support negotiated stance, 100% of the time	
		Issues Management	Responses released w ithin prescribed timelines 100% of the time	Responses released w ithin prescribed timelines 100% of the time	
		Stakeholder Relations (Media/ Council/ Public)	Responses released w ithin prescribed timelines 100% of the time	Responses released w ithin prescribed timelines 100% of the time	
Financial Planning & Policy	Policy Development and Review		Review policies once per year, 100% of the time	Review policies once per year, 100% of the time	
	Program/ Service Review	Analysis/ Recommendation provided	Analysis provided w ithin (turnaround time) 100% of the time	Analysis provided w ithin (turnaround time) 100% of the time	
		Decision Support	Inquiries addressed/ Responses released w ithin prescribed timelines 100% of the time	Inquiries addressed/ Responses released w ithin prescribed timelines 100% of the time	

Service Types and Levels

Service	Activity	Type	2011 Current Service Level	2012 Proposed Service Level
Financial Planning & Policy	Program/ Service Review	Process Management	Process updated document and delivered 6 w eeks in advance of submission guidelines	Process updated document and delivered 6 w eeks in advance of submission guidelines
	Service Planning	Analysis/ Recommendation provided	A recommended Service Plan annually by end of year, in accordance w ith council's priorities and directions	A recommended Service Plan annually by end of year, in accordance w ith council's priorities and directions
		Decision Support	Released at least 24 hours for notes and 7 days for Reports, prior to council / committee meeting, 100% of the time	Released at least 24 hours for notes and 7 days for Reports, prior to council / committee meeting, 100% of the time
		Process Management	Process updated and delivered 6 w eeks in advance of submission guidelines	Process updated and delivered 6 w eeks in advance of submission guidelines
	Budget Monitoring & Control	Active Monitoring	Once per month	Once per month
		Ad hoc (request)	Responses released w ithin prescribed timelines 100% of the time	Responses released w ithin prescribed timelines 100% of the time
		Capital - Variance	Quarterly w ithin 45 days of quarterly closing	Quarterly w ithin 45 days of quarterly closing
		In-Year Adjustments	Operating/ Capital budget adjustment requests review ed in advance of Agenda closing deadlines 100% of the time	Operating/ Capital budget adjustment requests review ed in advance of Agenda closing deadlines 100% of the time
		Operating - Variance	Quarterly w ithin 45 days of quarterly closing	Quarterly w ithin 45 days of quarterly closing
	Complement Management Control		Review submitted OCA forms for Financial Implications w ithin 7 days upon receipt from Divisions 75% of the time	Review submitted OCA forms for Financial Implications w ithin 7 days upon receipt from Divisions 75% of the time



Purpose:
To develop and administer the City's Development Charge By-law and to assess the potential for the implementation of new capital financing tools such as Tax Increment Financing and Value Capture.

Purpose:
To provide financial analysis, strategic advice and negotiation services on major corporate policies, programs and initiatives, with a focus on land development projects, major real estate transactions, public-private partnership proposals and strategic asset financing.



Service Customer

Development Financing

- Mayor & Members of Council
- City Manager & Deputy City Managers
- Divisions, Agencies, Boards & Commissions
- Property Owners/Taxpayers
- Land Development Community

Project, Analysis, Advisory and Negotiation

- Mayor and Members of Council
- City Manager and Deputy City Managers
- Divisions, Agencies, Boards and Commissions
- Property Owners/Taxpayers
- Land Development Community

Service Types and Levels

Service	Activity	Type	2011 Current Service Level	2012 Proposed Service Level
Development Financing	Development Charge By-law	Background Study & By-law	Reviewed and updated every 5 years (scheduled 2012-13); amendments to the by-law in the interim if necessary	Reviewed and updated every 5 years (scheduled 2012-13); amendments to the by-law in the interim if necessary
		Administration & Implementation	Provide assistance and advice to internal and external clients on timely basis 100% of the time	Provide assistance and advice to internal and external clients on timely basis 100% of the time
		Capital Financing	Reviews and recommendations provided in accordance with budget process guidelines 100% of the time	Reviews and recommendations provided in accordance with budget process guidelines 100% of the time
		Reporting	Meeting agenda closing deadlines 100% of the time	Meeting agenda closing deadlines 100% of the time
	Capital Financing Tools	Tax Increment Financing	On-going discussion and negotiations with Province to implement a TIF scheme; City comments and responses provided to Province within negotiated timelines 100% of the time	On-going discussion and negotiations with Province to implement a TIF scheme; City comments and responses provided to Province within negotiated timelines 100% of the time
Project Analysis, Advisory and Negotiation	Major City-Building Initiatives		Delivered within negotiated timelines 100% of the time	Delivered within negotiated timelines 100% of the time
	Public - Private Partnerships		Delivered within negotiated timelines 100% of the time	Delivered within negotiated timelines 100% of the time
	Real Estate/ Land Development Transactions		Delivered within negotiated timelines 100% of the time	Delivered within negotiated timelines 100% of the time

2012 Service Deliverables

The 2012 Recommended Operating Budget of \$8.473 million net for the Office of the Chief Financial Officer will provide funding to:

- Issue debentures and manage principal and interest payments to support the City's capital works program.
- Invest the City's \$4.6 billion investment portfolio.
- Insure \$13.2 billion worth of property and process up to 12,000 insurance claims a year.
- Review, analyze and make recommendations to establish the City's Annual Capital Budget and Plan totaling \$22.2 billion.
- Review, analyze and make recommendations to establish the City's Annual Operating Budget totaling \$10.6 billion.
- Deliver a 2012 Recommended Operating Budget and a 2012 - 2021 Capital Budget and Plan for Council approval by January 19, 2012 that outline the cost and financing to deliver City services and its capital infrastructure within the service level standards, affordability targets and priorities established by the new Mayor and Council.
- Manage the City's development charges system which yields over \$100 million annually.
- Initiate a development charge background study required to introduce a new Development Charge Bylaw.
- Review approximately 330 contract reports for award by Bid Committee and approximately 50 contract reports for award by Council.
- Update and manage Internal Services web sites that yield over 1 million hits annually.
- Review all staff reports, recommendations and Notices of Motion (average of 800 to 1,000 annually) for financial implications to ensure Council is fully informed prior to decision-making.
- Provide analysis and recommendations to senior management, Committees and Council on operational, service and capital infrastructure matters that impact the City's financial performance and budgets.

PART III: RECOMMENDED BASE BUDGET

2012 Recommended Base Budget (In \$000s)

(In \$000s)	2011 Appvd. Budget	2012 Recommended Base	Change 2012 Recommended Base v. 2011 Appvd. Budget		FY Incremental Outlook	
			\$	%	2013	2014
GROSS EXP.	15,761.4	16,765.0	1,003.6	6.4	(18.7)	(1,377.7)
REVENUE	6,465.7	8,166.8	1,701.1	26.3	(208.1)	(1,729.7)
NET EXP.	9,295.7	8,598.2	(697.5)	(7.5)	189.4	352.0
Approved Positions	144.0	140.0	(4.0)	(2.8)	(6.0)	(9.0)

Target Comparison	10% Reduction Target	2012 Rec.'d Reduction	2012 Rec'd Reduction vs. 2012 10% Reduction Target	Target %
2012 Reductions	(874.0)	(874.0)	0.0	10.0%

2012 Recommended Base Budget

- The 2012 Recommended Base Budget of \$16.765 million gross and \$8.598 million net represents a \$0.698 million or 7.5% decrease from the 2011 Approved Operating Budget of \$9.296 million net.
- The 2012 Recommended Base Budget of \$8.598 million net includes Program budget reductions of \$0.874 million net. This achieves the 10% in Program reductions for the Office of the Chief Financial Officer's 2012 reduction target of \$0.874 million net.
- Recommended service changes of \$0.874 million include base budget savings of \$0.080 million net, savings from efficiencies of \$0.376 million net, revenue changes of \$0.313 million net and minor service level changes of \$0.105 million net.
- The 2012 Recommended Base Budget for the Office of the Chief Financial Officer reflects the deletion of 5 vacant and 2 occupied permanent positions which are partially offset by the addition of 3 temporary capital positions.
- Approval of the 2012 Recommended Operating Budget will decrease the 2011 approved staffing complement from 144 to 140 positions as highlighted below:

2012 Recommended Staff Complement – Base Budget Summary

Changes	Staff Complement
2011 Approved Positions	144.0
- 2011 In-year Adjustments	
2011 Approved Staff Complement	144.0
2012 Recommended Staff Complement Changes	
- 2012 Temporary Positions - Capital Project Delivery	3.0
- 2012 Service Changes	(7.0)
Total Recommended Positions	140.0

2012 Recommended Service Change Summary

(In \$000s)

Description	2012 Recommended Service Changes				Net Incremental Impact			
	Position Changes	Gross Expense	Net Expense	% of 2012 Budget Reduction Target	2013		2014	
	#	\$	\$	%	\$	# Pos.	\$	# Pos.
Base Changes:								
Base Expenditure Changes								
Delete Vacant Position	(1.0)	0.0	0.0	0.0%				
Dismantle Sinking Fund Committee		(20.0)	(10.0)	(0.1%)				
Reduce Economic Factors and Increase Recovery from Insurance Reserve		(3.0)	(5.1)	(0.1%)				
Adjust Expenditures Based on experience		(50.0)	(50.0)	(0.5%)				
Base Expenditure Changes	(1.0)	(73.0)	(65.1)	(0.7%)				
Base Revenue Changes								
Cost Recovery to Maintain Communications Support			(14.6)	(0.2%)				
Base Revenue Changes			(14.6)	(0.2%)				
Sub-Total Base Budget Changes		(73.0)	(79.7)	(0.9%)				
Service Efficiencies:								
Delete Administrative Assistant Position	(1.0)	(82.4)	(82.4)	(0.9%)				
Eliminate 1 Approved Position (Please refer to Confidential Document attachment 1)	(1.0)	(10.9)	(10.9)	(0.1%)				
Eliminate 1 Senior Financial Planning Analyst Position	(1.0)	(127.7)	(127.7)	(1.4%)				
Eliminate Purchasing Analyst Position	(1.0)	(65.2)	(65.2)	(0.7%)				
Delete 1 Approved position (Please refer to Confidential Document attachment 1)	(1.0)	(89.6)	(89.6)	(1.0%)				
Sub-Total Service Efficiencies	(5.0)	(375.8)	(375.8)	(4.1%)				
Revenue Adjustments:								
Group Personal Lines Insurance Program			(150.0)	(1.6%)				
Recover Costs from Solid Waste Management Services			(163.0)	(1.8%)				
Sub-Total Revenue Adjustments			(313.0)	(3.4%)				
Minor Service Impact:								
Defer Hiring of Corporate Financial Planning & Policy Manager		(27.5)	(27.5)	(0.3%)	27.5			
Delete 1 Approved position (Please refer to Confidential Document attachment 1)	(1.0)	(78.0)	(78.0)	(0.9%)				
Sub-Total Minor Service Impacts	(1.0)	(105.5)	(105.5)	(1.2%)	27.5			
Major Service Impact:								
Sub-Total Major Service Impacts								
Total Service Changes	(7.0)	(554.3)	(874.0)	(9.5%)	27.5			

2012 Service Changes

- The 2012 recommended service changes consist of base budget changes, service efficiency, revenue changes and minor service level changes that total \$0.874 million net. These changes will have minimal impact on 2011 approved service levels provided by the Office of the Chief Financial Officer.

Base Changes (*\$0.073 million gross, savings of \$0.080 million net*)

Delete Vacant Position

One vacant unfunded position will be eliminated in 2012. Gapping will be reduced to reflect this reduction.

Dismantle Sinking Fund Committee

- The oversight of the City's sinking funds was the responsibility of the Sinking Fund Committee until April 2011. At its meeting of April 12 and 13, 2011, City Council directed that the Sinking Fund Committee and the Investment Advisory Committee be dissolved. The committees were replaced by a pro-bono independent investment advisory committee. As a result, the 2012 Recommended Operating Budget includes the deletion of \$0.020 million in expenditures and the reversal of a \$0.010 million recovery from the sinking fund for a net savings of \$0.010 million net.

Reduce Economic Factors and Increased Recovery from Insurance Reserve

- The reduction of \$0.003 million in 2012 inflationary cost increases and increased recovery for \$0.002 million in actual costs for staff time spent on the insurance program from the Insurance Reserve Fund is recommended, resulting in net savings of \$0.005 million.

Adjust Expenditures Based on Experience

- Based on a detailed review of actual spending, various non-salary expenses were reduced by \$0.050 million gross and net.
- These non-salary expenses include various stationery and other office supplies, training and business meetings expenses.

Cost Recovery to Maintain Communications Support

- An incremental increase in the recovery for communication support provided to the Office of the Treasurer is recommended to reflect the annualized impact from 2011 of \$0.015 million.

Service Efficiencies (*savings of \$0.376 million gross and net*)

Delete Administrative Assistant Position

- A vacant permanent administrative support position will be deleted effective January 1, 2012, resulting in efficiency savings of \$0.082 million. There will be no impact on service levels as

responsibilities will be realigned and redistributed.

Eliminate 1 Approved Position

- Efficiency savings in 2012 of \$0.011 million reflects the full year impact of the deletion of this vacant permanent approved position that was approved in the 2011 Budget process as a deferred hiring. Approval of this will delete the position permanently. (Please refer to Confidential Attachment 1).

Eliminate 1 Senior Financial Planning Analyst Position

- A Senior Financial Planning Analyst position will be eliminated effective January 1, 2012 resulting in net savings of \$0.128 million. The position is currently filled but will become vacant through attrition. The staff position's assigned portfolio will be redistributed amongst existing staff.

Delete 1 Approved Position

- Savings of \$0.090 million will be achieved from the deletion of 1 approved position effective January 1, 2012 (Please refer to Confidential Attachment 1).

Delete 1 Purchasing Analyst Position

- Savings of \$0.065 million will be achieved from the deletion of a vacant permanent Purchasing Analyst position effective January 1, 2012. Staff assignments will be re-aligned with no impact on service level.

Revenue Adjustments (savings of 0.313 million net)

Group Personal Lines Insurance Program

- City Council on June 14 and 15, 2011 granted authority to enter into an agreement with the Personal Insurance Company for a provision of personal lines of insurance to interested City employees, Council members and employees of City ABCs. This agreement provides for a portion of the company's profits from underwriting of the City's group to be returned to the City. It is estimated that the City will receive annual revenues of \$0.150 million that will be used to recognize the administrative support provided by the Program.

Recover Costs from Solid Waste Management Services

- The Financial Planning Division will recover revenues of \$0.163 million from Solid Waste Management Services (SWMS) for the cost of providing budgetary support and analyses, financial monitoring and reporting and control, financial issues management as well as general financial planning and management services. These services are currently provided to SWMS without recovery.

Minor Service Impact *(savings of \$0.106 million gross and net)**Defer hiring of Corporate Financial Planning & Policy Manager*

- The hiring of a Financial Planning & Policy Manager has been deferred until the end of the first quarter of 2012 resulting in one time savings of \$0.028 million. However, this will result in a heavier workload on current staff as this position is responsible for budget process preparation, implementation of the new Service Planning process as well as the revised financial policies and practices such as the Financial Control Bylaw and Capital and Operating Budgeting.

Delete 1 Approved Position

- Savings of \$0.078 million will be achieved from the deletion of one approved position effective January 1, 2012 (Please refer to Confidential Attachment 1).

2013 and 2014 Outlook

- Approval of the 2012 Recommended Base Budget for the Office of the Chief Financial Officer will result in 2013 incremental costs of \$0.189 million and 2014 incremental costs of \$0.352 million to maintain the 2012 level of service. Future year costs are primarily attributed to the following:
 - The 2013 Outlook anticipates incremental gross expenditure reduction of (\$0.019 million). This reflects the decrease of 6 temporary capital staff (reduction of \$0.208 million) working on capital projects in 2013, offset by an equivalent reduction in recoveries from capital. Also included is \$0.162 million for progression pay increases and the reversal of \$0.028 million from the 2012 hiring deferral.
 - The 2014 Outlook anticipates incremental gross expenditure reduction of (\$1.378 million). This reflects the decrease of 10 temporary capital staff (reduction of \$1.730 million) working on capital projects in 2014, offset by an equivalent reduction in recoveries from capital. Also included is \$0.162 million for progression pay increases and \$0.190 million in operating impact of capital from FPARS.
- These outlooks do not include any provisions for COLA, which is subject to future negotiations.

Appendix 1

2011 Performance

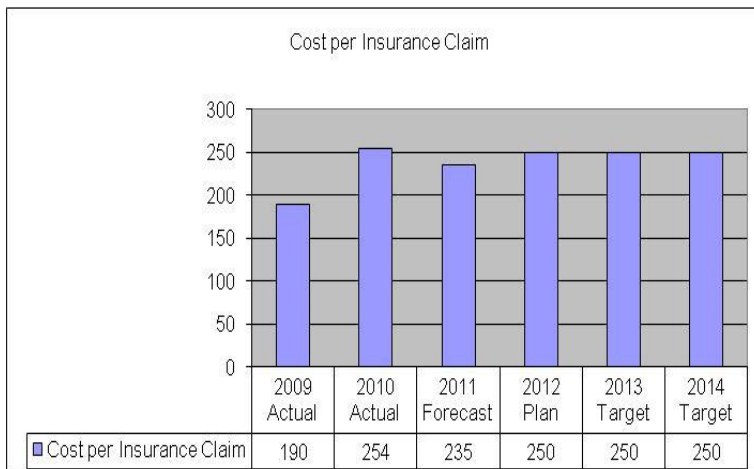
2011 Key Accomplishments:

- ✓ Commenced preparation and planning for potential 2012 Labour Disruption.
- ✓ Streamlined divisional web sites to enhance accessibility and improve search capability and transparency of on-line resources.
- ✓ Provided effective communication support to cluster divisions for key projects and initiatives including: Union Station Revitalization, Nathan Phillips Square Revitalization, Old City Hall, St. Lawrence Market, Energy Plan, Canada Malting Silos, Green Fleet, Tax and Utility Billing, Operating and Capital Budgets and Annual Financial Report.
- ✓ Reported to Council on potential for monetization of selected City assets.
- ✓ Developed Long Term Financial Plan report as context for 2012 budget deliberations and to set high level financial strategy.
- ✓ Began the initial review of potential for shared service consolidation, in conjunction with KPMG study.
- ✓ Determined financial impacts of new capitalization policy and resultant strategies for implementation for 2013 Capital Budget Process.
- ✓ Provided extensive oversight and project management services in relation to financial and risk management issues as well as compliance in the administration of federal contribution to the Toronto-York Spadina Subway Extension Project.
- ✓ Participated on the 2015 Pan-Am Games panel reviewing the financial qualifications and selecting invited proponents to participate in the request for Proposals process.
- ✓ Provided consultation and assistance to the City's I & T Division in preparing an application to PPP Canada for the proposed City IT Datacentre.
- ✓ Obtained Council approval for the 2011 Operating, 2011-2020 Capital Budget and Plan for Rate Supported and Tax Supported Budgets using an accelerated budget schedule.
- ✓ Prepared for the new term of Council by:
 - Providing budget orientation for new Budget Committee members
 - Expanding public consultation across the City
 - Accommodating Town Hall meeting at the Ward level
 - Accelerating the budget review schedule to accommodate approval of Rate, Capital and Operating Budgets by February, 2 months earlier than prior years

- ✓ Supported the delivery of the Core Service Review program, together with the City Manager’s Office, for all City Programs and Agencies to establish priorities and provide sustainable solutions. Provided all service level information through the FPARS project to be used by KPMG for the Core Service Review.
- ✓ Provided information and participated in all community consultation sessions.
- ✓ Prepared the User Fee Policy and Framework report for Council review and approval. Identified all City Programs and Agencies fees and established a new user fee regime that will generate revenue for the City.
- ✓ Prepared 2012 Budget Directions and Guidelines for Council consideration and approval to accomplish 10% reduction, support the Core Service Review, perform a comprehensive user fee review to make significant progress towards the City’s financial sustainability.

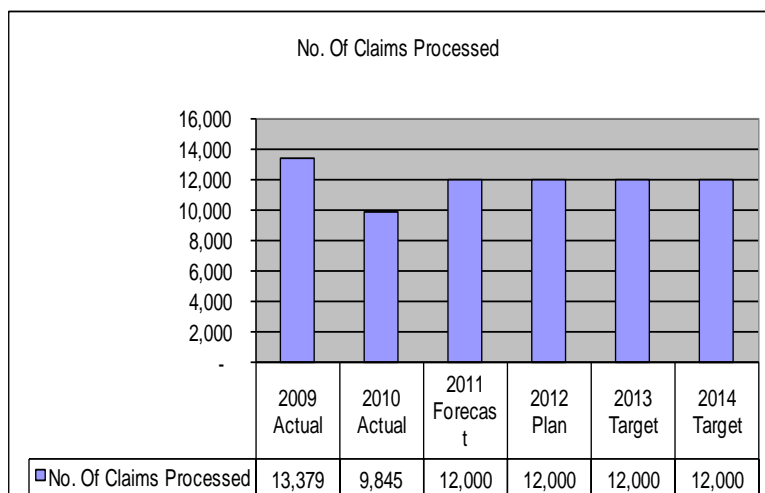
2011 Performance

Cost Per Insurance Claims



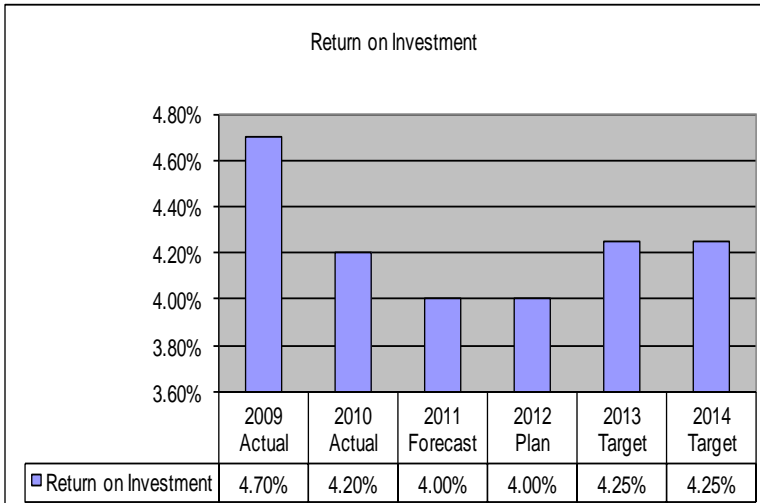
- The annual processing cost per insurance claim is expected to increase due to higher defence resources required for lengthy and complex litigation.

Number of Claims Processed



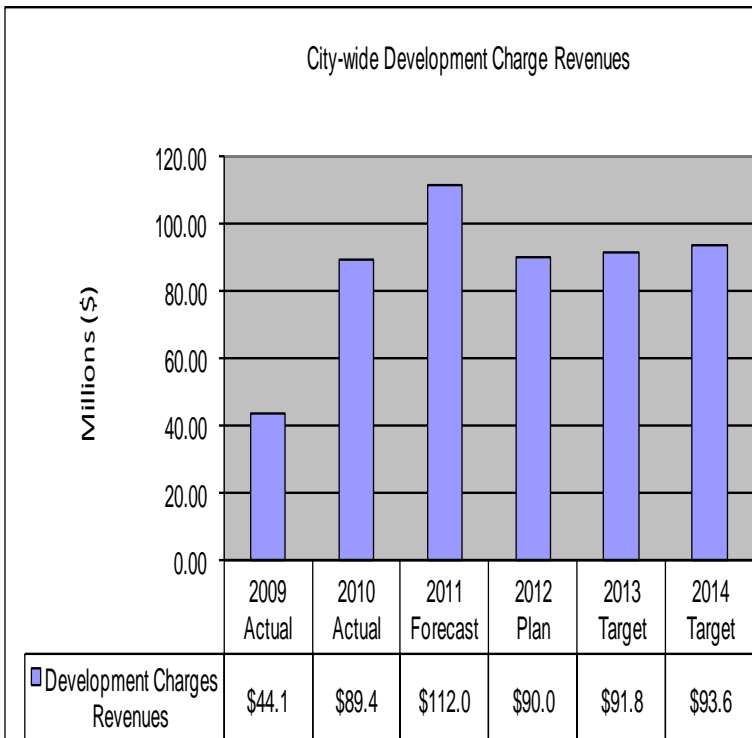
- The decrease in the number of claims processed from 2009 to 2010 is largely related to milder winter conditions.
- The anticipated increase from 2010 to 2011 in the number of claims processed is due to adverse weather conditions.
- Claims are expected to remain the same in 2013 and 2014 as in 2012.

Return on Investment



- Long term interest rates have generally maintained their levels over the past 2 years while short term interest rates have declined over the same period. This decline reduced the City's overall average rate of return that is earned on its investment portfolio.

City-wide Development Charges Revenues



- Development activity, and development charge revenues, recovered in 2010 from the 2009 levels were impacted by the economic slowdown and the City's labour disruption.
- Strong levels of residential development activity have boosted development charge revenues in 2011 compared to previous years, particularly in Q1 leading up to the first phase-in date after a two year rate freeze.
- Modest revenue levels were assumed looking forward from 2012 to 2014 due to the degree of uncertainty that still exists in the global economy.

2011 Budget Variance Analysis

2011 Budget Variance Review

(In \$000s)

(In \$000s)	2009 Actuals	2010 Actuals	2011 Approved Budget	2011 Projected Actuals*	2011 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	\$	%
GROSS EXP.	11,983.0	12,169.8	15,761.4	13,418.0	(2,343.4)	(14.9)
REVENUES	3,593.9	3,812.8	6,465.7	4,492.7	(1,973.0)	(30.5)
NET EXP.	8,389.1	8,357.0	9,295.7	8,925.3	(370.4)	(4.0)
Approved Positions	103.0	103.0	144.0	106.0	(38.0)	(26.4)

* Based on the Third Quarter Operating Budget Variance Report.

- The Office of the Chief Financial Officer's year-end favourable variance is projected to be \$0.370 million or 4.0% below the 2011 Approved Operating Budget of \$9.296 million.
- The projected favourable variance of \$2.343 million gross is mainly attributed to delays in filling capital positions for FPARS and (\$1.973 million) and delays in filling operating positions due to the hiring slow down. The FPARS project was delayed as a result of the RFP process for the system implementation not resulting in a successful proponent and had to be reissued.
- The \$1.973 million in projected unfavourable revenues is directly related to the non-recovery of capital funding for salary costs for FPARS project, which was put on hold pending the outcome of the RFP process.

Impact of 2011 Operating Variance on the 2012 Budget

- Currently there are 38 vacancies in the Office of the Chief Financial Officer, of which 29 are temporary capital funded positions for the Financial Planning, Analysis & Reporting System (FPARS) project.
 - The majority of the FPARS positions will be filled in January 2012.

Appendix 2

2012 Operating Budget by Expenditure Category and Key Cost Drivers

Program Summary by Expenditure Category

(In \$000s)

Category of Expense	2009	2010	2011	2011	2012	2012 Change from		2013	2014
	Actual	Actual	Budget	Projected Actual	Recommended Budget	2011 Approved Budget	%	Outlook	Outlook
	\$	\$	\$	\$	\$	\$		\$	\$
Salaries and Benefits	11,026.6	11,442.7	14,745.9	12,576.8	15,840.1	1,094.2	7.4%	15,821.4	14,443.7
Materials and Supplies	52.6	40.4	77.9	55.0	69.5	(8.4)	(10.8%)	69.5	69.5
Equipment	7.1	4.5	8.1	7.5	6.5	(1.6)	(19.8%)	6.5	6.5
Services & Rents	486.2	452.9	539.0	510.0	594.5	55.5	10.3%	594.5	594.5
Contributions to Capital									
Contributions to Reserve/Res Funds	68.6	69.0	71.7	71.7	71.7	0.0	0.0%	71.7	71.7
Other Expenditures	0.3	0.2	2.0	0.5	2.0	0.0	0.0%	2.0	2.0
Interdivisional Charges	341.6	160.1	191.7	196.5	180.7	(11.0)	(5.7%)	180.7	180.7
TOTAL GROSS EXPENDITURES	11,983.0	12,169.8	15,636.3	13,418.0	16,765.0	1,128.7	7.2%	16,746.3	15,368.6
Interdivisional Recoveries	1,882.1	1,872.9	1,992.8	1,991.7	2,404.7	411.9	20.7%	2,404.7	2,404.7
Provincial Subsidies									
Federal Subsidies									
Other Subsidies	1.2								
User Fees & Donations						-			
Transfers from Capital Fund	322.9	428.9	2,889.2	932.8	4,165.1	1,275.9	44.2%	3,957.0	2,227.3
Contribution from Reserve Funds	1,132.1	1,215.9	1,255.2	1,253.7	1,278.4	23.2	1.8%	1,278.4	1,278.4
Contribution from Reserve	148.5	169.5	190.5	190.4	190.5	-	0.0%	190.5	190.5
Sundry Revenues	107.1	125.6	138.1	124.0	128.1	(10.0)	(7.2%)	128.1	128.1
TOTAL REVENUE	3,593.9	3,812.8	6,465.8	4,492.6	8,166.8	1,701.0	26.3%	7,958.7	6,229.0
TOTAL NET EXPENDITURES	8,389.1	8,357.0	9,170.5	8,925.4	8,598.2	(572.3)	(6.2%)	8,787.6	9,139.6
APPROVED POSITIONS	103.0	103.0	144.0	106.0	140.0	(4.0)	(2.8%)	134.0	125.0

2012 Key Cost Drivers

- *Salaries and Benefits* is the largest expenditure category and accounts for 94.4% of the Program's gross expenditures.
- The 2012 recommended budget for *Salaries and Benefits* of \$15.840 million is \$1.094 million or 7.4% higher than the 2011 Approved Operating Budget.
 - In 2012, the Program will delete 7 positions, thus lowering its salaries and benefits budget by approximately \$0.521 million.
 - These measures assisted the Program in offsetting pressures from major cost drivers such

as progression pay and step increases for eligible non-union and union positions (\$0.232 million), fringe benefits adjustments (\$0.096 million), additional working day in 2012 (\$0.064 million) and annualized cost of temporary capital positions for the FPARS project (\$1.099 million).

- The 2012 Recommended Budget for *Interdivisional Recoveries* of \$2.405 million or 29.4% of the Program's Operating Budget reflects an increase of \$0.412 million. This includes \$0.225 million recovery from the Non-Program Expenditure Budget to capture a portion of the profits of \$0.150 million from underwriting the City's group insurance; \$0.075 million for recovery of credit rating fees and \$0.163 million from Solid Waste Management for services provided by the Financial Planning Division.
- The 2012 Recommended Budget for *Transfers from Capital Fund* of \$4.165 million or 51% of the Program's Operating Budget reflects an increase of \$1.276 million, which is directly related to the Financial Services' Capital Budget for capital projects underway.

Appendix 3

Summary of 2012 Recommended Service Changes

Appendix 5

Inflows / Outflows to / from Reserves & Reserve Funds

Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of December 31, 2011 *	Proposed Withdrawals (-) / Contributions (+)		
			2012	2013	2014
		\$	\$	\$	\$
Development Charges Reserve	XR2030	602,916.0	(190.5)	(190.5)	(190.5)
Insurance Reserve Fund	XR1010	31,346.0	(1,278.4)	(1,278.4)	(1,278.4)
Insurance Reserve Fund	XR1010	31,346.0	71.7	71.7	71.7
Total Reserve / Reserve Fund Draws / Contributions			(1,397.2)	(1,397.2)	(1,397.2)

* Based on 3rd Quarter Variance Report