



City Budget 2012

City Council 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.	19,145.3	18,195.3	19,145.3	0.0	19,145.3	0.0	0.0	304.8	113.9
REVENUE	0.0	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET EXP.	19,145.3	18,192.7	19,145.3	0.0	19,145.3	0.0	0.0	304.8	113.9
Approved Positions	176.0	176.0	176.0	0.0	176.0	0.0	0.0	0.0	0.0

Target Comparison	10% Reduction Target	2012 Rec.'d Reduction	2012 10% Reduction vs. 2012 Rec'd Reduction	Target %
2012 Reductions	(1,888.4)	(405.6)	(1,482.8)	2.1%

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2012 Recommended Operating Budget for City Council of \$19.145 million gross and net, comprised of the following services:

<u>Service(s)</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Councillors' Salaries and Benefits Budget	5,542.4	5,542.4
Councillors' Staff Salaries and Benefits Budget	11,587.9	11,587.9
Councillors' Office Expenses Budget	1,320.0	1,320.0
Councillors' Business Travel Expenses Budget	25.0	25.0
Councillors' General Expenses Budget	<u>670.0</u>	<u>670.0</u>
Total Program Budget	<u>19,145.3</u>	<u>19,145.3</u>

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.	19,145.3	19,145.3	0.0	0.0	304.8	113.9
REVENUE						
NET EXP.	19,145.3	19,145.3	0.0	0.0	304.8	113.9
Approved Positions	176.0	176.0	0.0	0.0	0.0	0.0

Target Comparison	10% Reduction Target	2012 Rec.'d Reduction	2012 Rec'd Reduction vs. 2012 10% Reduction Target	Target %
2012 Reductions	(1,888.4)	(405.6)	(1,482.8)	2.1%

2012 Recommended Base Budget

- The 2012 Recommended Base Budget is \$19.145 million net and is flat-lined at the same level as the 2011 Approved Operating Budget.
- City Council's 2012 Recommended Base Budget of \$19.145 million net includes recommended reductions of \$0.406 million or 2.1% of the 2011 Approved Operating Budget.
- Service changes of \$0.406 million include base budget savings of \$0.262 million and savings from efficiencies of \$0.144 million.
- Approval of the 2012 Recommended Base Budget will result in City Council's total staff complement remaining at 176 positions, as noted below:

2012 Recommended Staff Complement – Base Budget Summary

Changes	Staff Complement
2011 Approved Positions	176.0
- 2011 In-year Adjustments	
2011 Approved Staff Complement	176.0
2012 Recommended Staff Complement Changes	
Total Recommended Positions	176.0

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								
- Eliminate contribution to Government Relations Reserve		(37.0)	(37.0)	0.2%				
- Eliminate contribution to Severance Reserve		(175.0)	(175.0)	0.9%				
- Transfer Membership Fees to Non-Program		(50.0)	(50.0)	0.3%				
Sub-Total Base Budget Changes	0.0	(262.0)	(262.0)	1.4%	0.0	0.0	0.0	0.0
Service Efficiencies								
- Budget reduction in Council General Expense Budget		(49.9)	(49.9)	0.3%				
- Reduce Travel Budget		(25.0)	(25.0)	0.1%				
- One-Time Gapping in Councillor Staff Salary Budget		(68.7)	(68.7)	0.4%	68.7			
Sub-Total Service Efficiencies	0.0	(143.6)	(143.6)	0.8%	68.7	0.0	0.0	0.0
Total Service Changes	0.0	(405.6)	(405.6)	2.1%	68.7	0.0	0.0	0.0

2012 Recommended Service Changes

- The Program's 2012 Recommended Base Budget of \$19.145 million includes base budget changes and service efficiencies that total \$0.406 million. These changes will not impact service levels.

Base Changes (*savings of \$0.262 million gross and net*)*Elimination of Contribution to Government Relations Reserve Fund*

- An annual contribution to the Government Relations Reserve fund was approved in 2005. Subsequently it was re-directed to fund the Greater Toronto Marketing Alliance. In 2009, Invest Toronto started paying this membership. This contribution is no longer required. The elimination of this contribution results in a savings of \$0.037 million.

Elimination of contribution to Severance Reserve

- An annual contribution to the Council Severance Cost Reserve of \$0.175 million was made to fund the costs of severance for Councillors and their staff following each municipal election. This contribution is being eliminated. In future, the CFO will consider directing some or all of the surplus from the Council budget to this reserve every year for transition year expenses.

Transfer Membership Fees to non-program

- An expenditure amount of \$0.050 million will be transferred from City Council's budget to the Non-Program Budget. The \$0.050 million funds membership fees for the Association of Francophone Municipalities of Ontario (AFMO) and the Institute for Ontario Municipal Finance and Governance. Other City memberships in municipal organizations are in Non-Program budget.

Service Efficiencies (*savings of \$0.144 million gross and net*)*Budget reduction in Council General Expenses Budget*

- Budget reductions in Services and Rents and Equipment expenses compared to actual 2011 experience results in a savings of \$0.050 million.

Reduce Business Travel Budget

- The business travel budget is reduced from \$0.050 million to \$0.025 million to reflect expected spending.

Gapping in Councillor Staff Salary Budget

- A one-time gapping of Councillor Staff salaries and benefits results in a savings of \$0.069 million and a gapping rate of 0.6%.

2013 and 2014 Outlook:

- Approval of the 2012 Base Budget for City Council will result in incremental costs of \$0.305 million in 2013 and \$0.114 million in 2014 to maintain the 2012 level of service. Future year costs are primarily attributable to the following:
 - The 2013 Outlook includes budgetary provisions of 2% for Councillors' consumer price index adjustments (CPI) totaling \$0.111 million, a benefit rate adjustment totaling \$0.124 million and the reversal of a one-time gapping in Councillor Staff Salary Budget totaling \$0.069 million.
 - The 2014 projected increase of \$0.114 million includes a Consumer Price Index (CPI) adjustment for Councillors' salary.

Part V: ISSUES FOR DISCUSSION

2012 and Future Year Issues

- There are no 2012 or future year issues to highlight for consideration.

Appendix 1

2011 Performance

2011 Budget Variance Analysis

2011 Budget Variance Review (In\$000s)

	2009 Actuals	2010 Actuals	2011 Approved Budget	2011 Projected Actuals*	2011 Appvd. Budget vs Projected Actuals Variance	
	(In \$000s) \$	\$	\$	\$	\$	%
GROSS EXP.	18,502.8	22,824.9	19,145.3	18,195.3	(950.0)	(5.0)
REVENUES	59.4	703.4	0.0	2.6	2.6	0.0
NET EXP.	18,443.4	22,121.5	19,145.3	18,192.7	(952.6)	(5.0)
Approved Positions	176.0	176.0	176.0	176.0	0.0	0.0

* Based on the Third Quarter Operating Budget Variance Report.

2011 Experience

- The Third Quarter Variance Report for City Council projects that the Program Budget will be under spent by \$0.953 million by year-end. This is mainly attributable to under spending in Councillor Staff salaries and benefits and Councillors' Office Expense Budgets.

Impact of 2011 Operating Variance on the 2012 Recommended Budget

- Based on 2011 experience, there is a one-time gapping of \$0.069 million in 2012.

Appendix 2

2012 Recommended Operating Budget by Expenditure Category and Key Cost Drivers

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

Category of Expense	2009 Actual	2010 Actual	2011 Budget	2011 Projected Actual	2012 Recommended Budget	2012 Change from 2011 Approved Budget		2013 Outlook	2014 Outlook
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	16,184.9	20,601.0	17,064.3	16,364.3	17,401.3	337.0	2.0%	17,706.1	17,820.0
Materials and Supplies	128.3	139.8	1,198.1	948.1	1,173.1	(25.0)	(2.1%)	1,173.1	1,173.1
Equipment	85.4	22.5	17.0	17.0	8.0	(9.0)	(52.9%)	8.0	8.0
Services & Rents	1,356.4	1,316.5	392.1	392.1	301.2	(90.9)	(23.2%)	301.2	301.2
Contributions to Capital									
Contributions to Reserve/Res Funds	292.9	345.4	302.5	302.5	90.5	(212.0)	(70.1%)	90.5	90.5
Other Expenditures	57.7	0.2							
Interdivisional Charges	397.0	399.6	171.3	171.3	171.3	(0.0)	(0.0%)	171.3	171.3
TOTAL GROSS EXPENDITURES	18,502.8	22,824.9	19,145.3	18,195.3	19,145.3	0.0	0.0%	19,450.1	19,564.0
Interdivisional Recoveries									
Provincial Subsidies									
Federal Subsidies									
Other Subsidies									
User Fees & Donations	6.0								
Transfers from Capital Fund				1.0					
Contribution from Reserve Funds									
Contribution from Reserve									
Sundry Revenues	53.4	703.4		1.6					
TOTAL REVENUE	59.4	703.4		2.6					
TOTAL NET EXPENDITURES	18,443.4	22,121.5	19,145.3	18,192.7	19,145.3	0.0	0.0%	19,450.1	19,564.0
APPROVED POSITIONS	176.0	176.0	176.0	176.0	176.0	0.0	0.0%	176.0	176.0

2012 Key Cost Drivers

- *Salaries and Benefits* are the largest expenditure category and account for 91% of the total expenditures in this budget.
 - The 2012 recommended budget for salaries and benefits of \$17.401 million is \$0.337 million or 2.0% higher than the 2011 Approved Operating Budget, which is primarily attributable to a 2.1% CPI increase for the Councillors, a benefit rate adjustment and 1 additional working day in 2012. This is partially offset by a one-time gapping adjustment of \$0.069 million.
 - In 2010, Salaries and Benefits were significantly higher than other years as a result of severance paid out at the end of the term.

- *Contributions to Reserve/Reserve Funds* of \$0.091 million is \$0.212 million or 70.1% less than the 2011 Approved Operating Budget.
 - The contributions to the Government Relations Reserve and the Severance Reserve of \$0.037 million and \$0.175 million respectively, have been eliminated in the 2012 Recommended Operating Budget.

Appendix 3
Summary of 2012 Recommended Service Changes



2012 Operating Budget - Recommended Service Change Summary of Administrative Review

TYPE	PRIORITY	OTHER CITY PROGRAMS City Council	Recommended Adjustments				2013 Net Incremental Outlook (\$000s)	2014 Net Incremental Outlook (\$000s)
			Change in Gross Expenditure (\$000s)	Change in Revenue (\$000s)	Net Change (\$000s)	Change in Approved Positions		
2012 Recommended Base Budget Before Service Change:			19,288.9	0.0	19,288.9	176.0	236.1	113.9
Z1	1	Budget reduction in Councillors' General Expense <i>Service / Activity:</i> MULTIPLE / n/a Description: A Reduction to Services and Rents and Equipment is recommended to reflect 2011 actual spending experience. Service Level Change: N/A ADMIN:	(49.9)	0.0	(49.9)	0.0	0.0	0.0
<hr/>								
Z1	1	Reduce Travel Budget <i>Service / Activity:</i> Councillors' General Business Travel / N/A Description: Reduction to the business travel budget from \$0.050 million to \$0.025 million is recommended to reflect expected spending. Service Level Change: N/A ADMIN:	(25.0)	0.0	(25.0)	0.0	0.0	0.0
<hr/>								
Z1	6	Gapping in Councillor Staff Salary Budget <i>Service / Activity:</i> Councillors' Staff Salaries & Benefits / n/a Description: One time gapping of Councillor Staff salaries and benefits resulting in a gapping rate of 0.6% Service Level Change: N/A ADMIN:	(68.7)	0.0	(68.7)	0.0	68.7	0.0
<hr/>								
Total Recommended Service Level Reductions:			(143.6)	0.0	(143.6)	0.0	68.7	0.0

Category Legend - Type

- Z1 - Base Efficiency Change
- Z2 - Base Revenue Change
- Z3 - Minor Service Level Change
- Z4 - Major Service Level Change



**2012 Operating Budget - Recommended Service Change
Summary of Administrative Review**

TYPE	PRIORITY	OTHER CITY PROGRAMS City Council	Recommended Adjustments				2013 Net Incremental Outlook (\$000s)	2014 Net Incremental Outlook (\$000s)
			Change in Gross Expenditure (\$000s)	Change in Revenue (\$000s)	Net Change (\$000s)	Change in Approved Positions		
Total Recommended Base Budget:			19,145.3	0.0	19,145.3	176.0	304.8	113.9

Category Legend - Type

- Z1 - Base Efficiency Change
- Z2 - Base Revenue Change
- Z3 - Minor Service Level Change
- Z4 - Major Service Level Change

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
		\$	\$	\$	\$
Insurance Reserve Fund	XR1010	31,692.9	(90.5)	(90.5)	(90.5)
Total Reserve / Reserve Fund Draws / Contributions			(90.5)	(90.5)	(90.5)

* Based on 3rd Quarter Variance Report