

City of Toronto

2008 Financial Planning Process

AGENDA

- 2007 Budget Process Debrief
- 2008 Financial Planning Process
 - Service Planning:
 - ✓ Process and Timing
 - ✓ Core Service Review Approach / Framework
 - 2008 Operating Budget
 - ✓ Guidelines, Directions, 2008 / 2009 Outlook
 - ✓ Detailed Reviews
 - 2008 – 2012 Capital Budget and Plan
 - ✓ Guidelines, Directions and Debt Targets
- 2008 Proposed Budget Schedule

Budget Committee - 2007 Budget Process Debrief

- 2007 Budget Process was effective, efficient, and focussed
 - Significant reduction in staff time attending meetings
- Working in pairs to do detailed reviews was productive, however, detailed reviews should begin earlier
- Strong and consistent communications component was lacking
- Insufficient turnaround time to review budget materials after the Budget Introduction

Budget Committee – 2007 Budget Process Debrief – Recommendations / Guidelines for 2008 Budget Process

1. Establish strategic communication strategy / plan early in the budget process
2. Detailed Budget Review Guidelines:
 - Meet with FPD analysts prior to convening detailed review meetings
 - Continue to work in 'pairs' of BC members with one member acting as Chair
 - Advise Councillors of BC member assignments

Budget Committee Debrief

- Guidelines for 2007 Budget Process (continued)

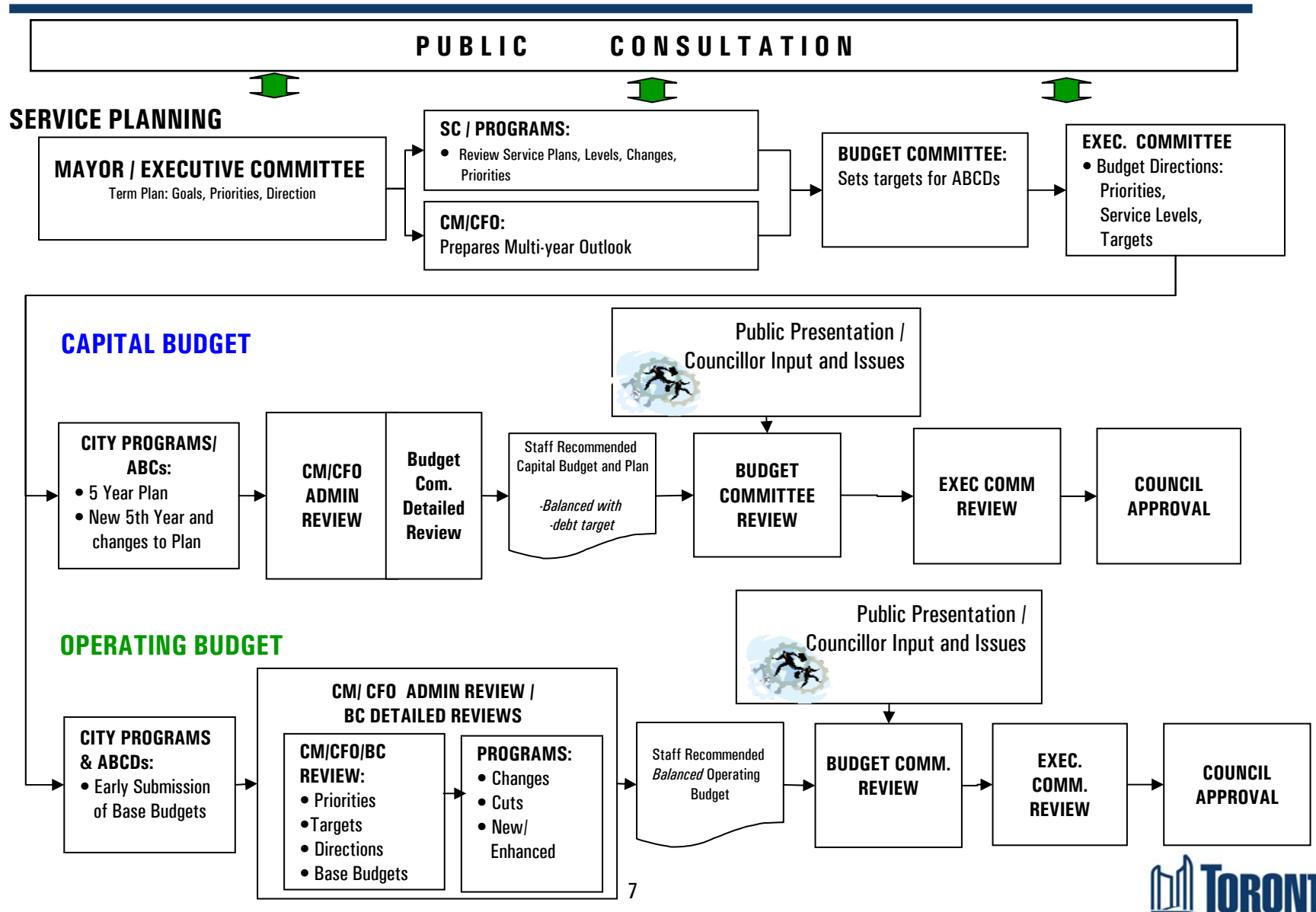
3. Protocol for information requests to be established:

- All requests from individual councillors must be submitted to:
 - ✓ Detailed review team where applicable, or
 - ✓ The Budget Committee
- Staff will provide requested information if available
- If information request requires analysis, a motion must be placed for consideration at Budget Committee meetings

4. Further work on public consultation process required to align with City's civic engagement strategy

Financial Planning Process
– Incorporates Service Planning

2008 Financial Planning Process



Mayor's Directions on 2008 Budget Process

- Begin work early in 2008 to establish service priorities and financial targets:
 - Guided by the Mayor's term priorities and Council's policy agenda, Committee will:
 - ✓ review City Program and ABC service plans
 - ✓ assess service issues and outcomes to determine service priorities and service levels that will be recommended to Executive Committee ***in advance of the budget process***
- Based on a multi-year financial outlook, the Budget Committee will recommend budgetary targets, directions and strategies to the Executive Committee
- Given recommended service priorities and financial affordability, the Executive Committee will give direction to staff for the next budget cycle

Service Planning

What is Service Planning ?

- A process through which high-level strategies are operationalized
- A process that links corporate and community objectives to service delivery plans
- A key tool that supports informed decisions about:
 - Services and service levels
 - Best use of available resources to achieve corporate goals
 - Cost effective delivery approaches

Value Added Service Planning

- **Effective Service Planning:**
 - represents a road map for delivering Council's priorities, and the outcomes that are meaningful to citizens of Toronto
 - defines and / or validates service levels to be delivered
 - ensures that services and service levels are evaluated to determine how well they are delivered using performance results, measures and benchmarks
 - sets a framework for developing multi-year capital and operating budgets and ensuring that limited resources are aligned to priorities to maximize benefits to citizens of Toronto
 - ensures that the right services are being delivered and that the most cost effective delivery approach is implemented

Service Planning Review

– Decision Support Inputs

- 2006 results & outcomes (particularly new service changes approved in 2006)
- 2007 approved service and service level/standards review
- 2008 Objectives
- Service issues and priorities vis-à-vis
 - Mayor's mandate
 - Council / Standing Committee priorities
 - Program challenges & issues
 - Financial constraints
- Identification of core, augmented and discretionary services

Service Planning Review

– Outcomes

- Identification of core services
- Recommended service priorities, service levels, and performance targets for 2008
- Service issues requiring further review
- Financial forecast and recommended budgetary targets and guidelines

Service Planning Review Framework

- ***What Services/Service Levels Are Being Provided?***
 - Service Profiles -services, activities (based on new Program Maps)
 - Service funding, service levels and/or standards
- ***What are the City's Core Services?***
- ***How Do They Perform?***
 - Service Performance:
 - ✓ Service objectives, intended outcomes and results for 2005/6 (performance measures, benchmarks)
 - ✓ What is working well and what is not?

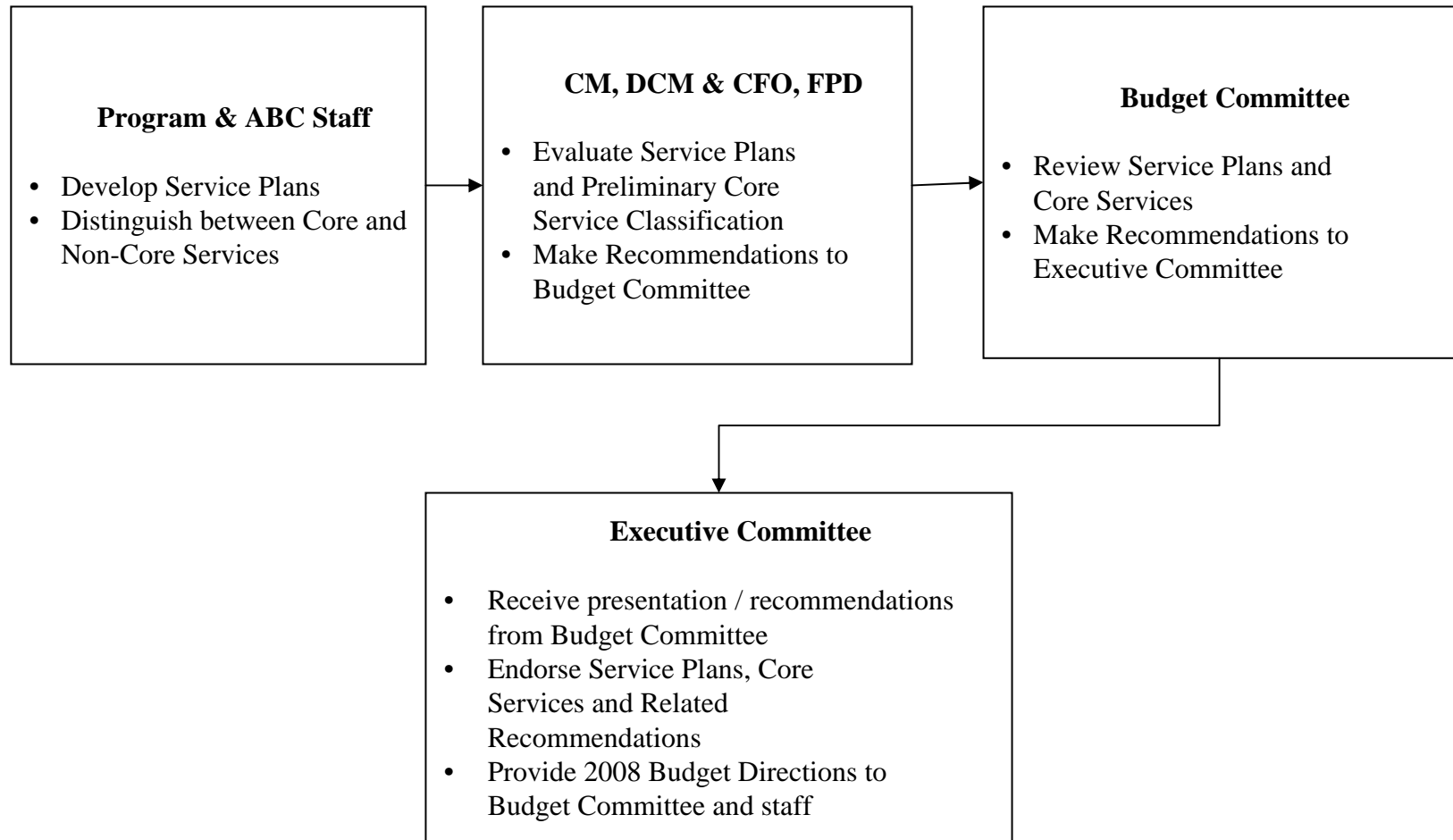
Service Planning Review Framework (contd.)

- ***What are the Key Challenges confronting the Service / Activity?***
 - Focus on the following:
 - ✓ Strategic objectives (Council-approved plans, strategies)
 - ✓ Mayor / Council priorities
 - ✓ Service Demands – gaps, demographics, delivery, emergent needs
 - ✓ Legislative Change
 - ✓ Management/Operational Issues and needs
 - ✓ Emergent Issues and Opportunities
 - What plans are underway to address these challenges?

Service Planning Review Framework (contd.)

- ***What Key Performance / Service Delivery Strategies are being considered to address these challenges in 2008?***
 - Focus on the following strategies: cost containment, revenue opportunities, restructuring, program review, opportunities for continuous improvement, cross program collaboration, I&T investments
- ***What are the resultant 2008 service objectives and targets?***

Service Planning Review Process



Core Service Review - Proposed Approach

Core Service Review Framework

Purpose:

- To develop a comprehensive listing of services provided by the City of Toronto
- To evaluate service plans to determine / confirm that the right services and service levels are being provided
- To provide a framework for rationalizing resource needs and allocating scarce resources to achieve Council's priorities

Process:

- Develop Core Service definition tool to distinguish between core and non core services
- Establish a core service filter to facilitate consistency in distinguishing core and non-core services
- Complete inventory of services for City Programs and ABCs along with Program Maps

Core Service Review Framework

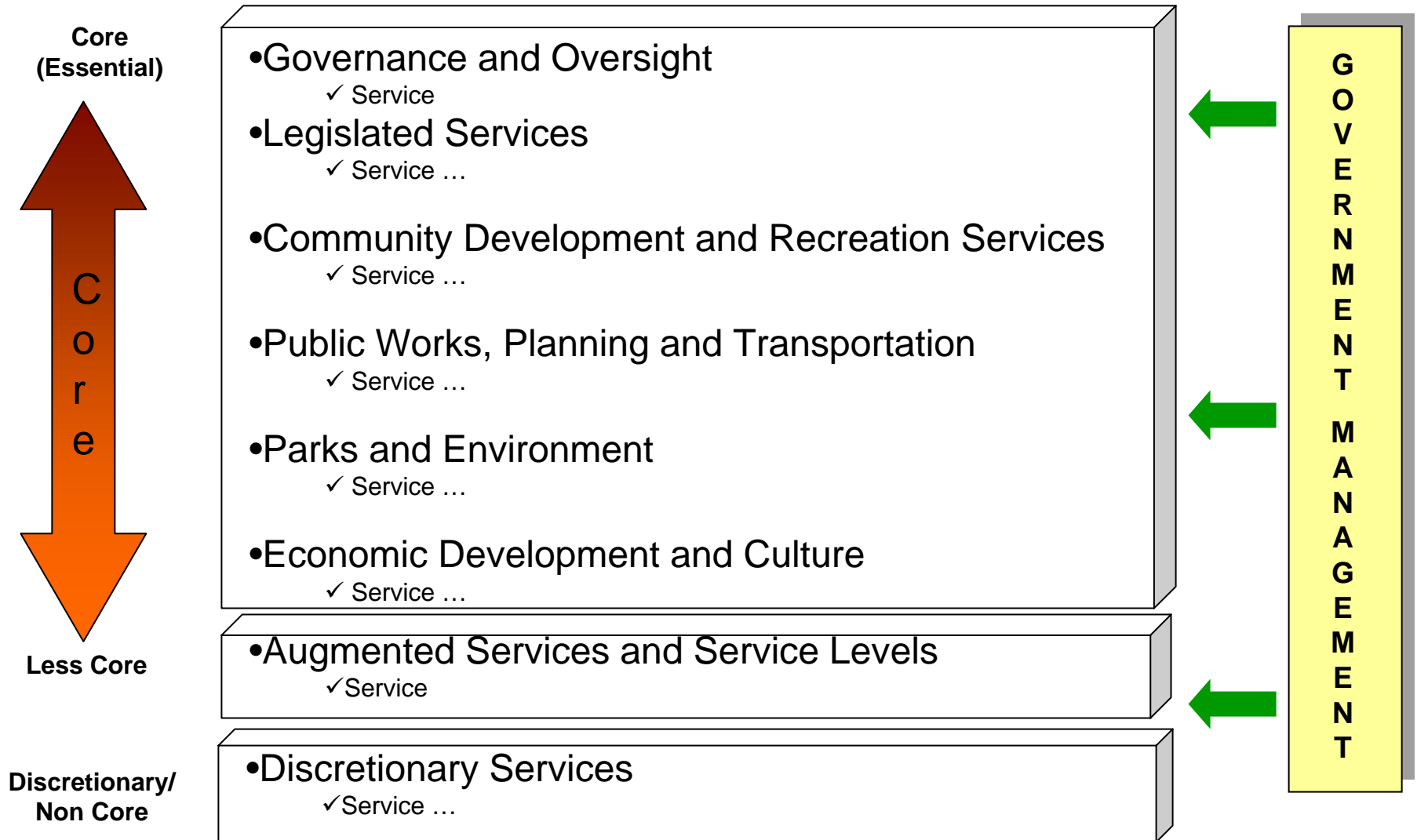
Process (contd.):

- **Committee review of services:**
 - Confirm services and service levels
 - Identify services that could be provided by, or with partners
 - Identify opportunities for efficiencies / cost savings through collaboration and innovation
 - Identify opportunities for further staff and / or Standing Committee reviews

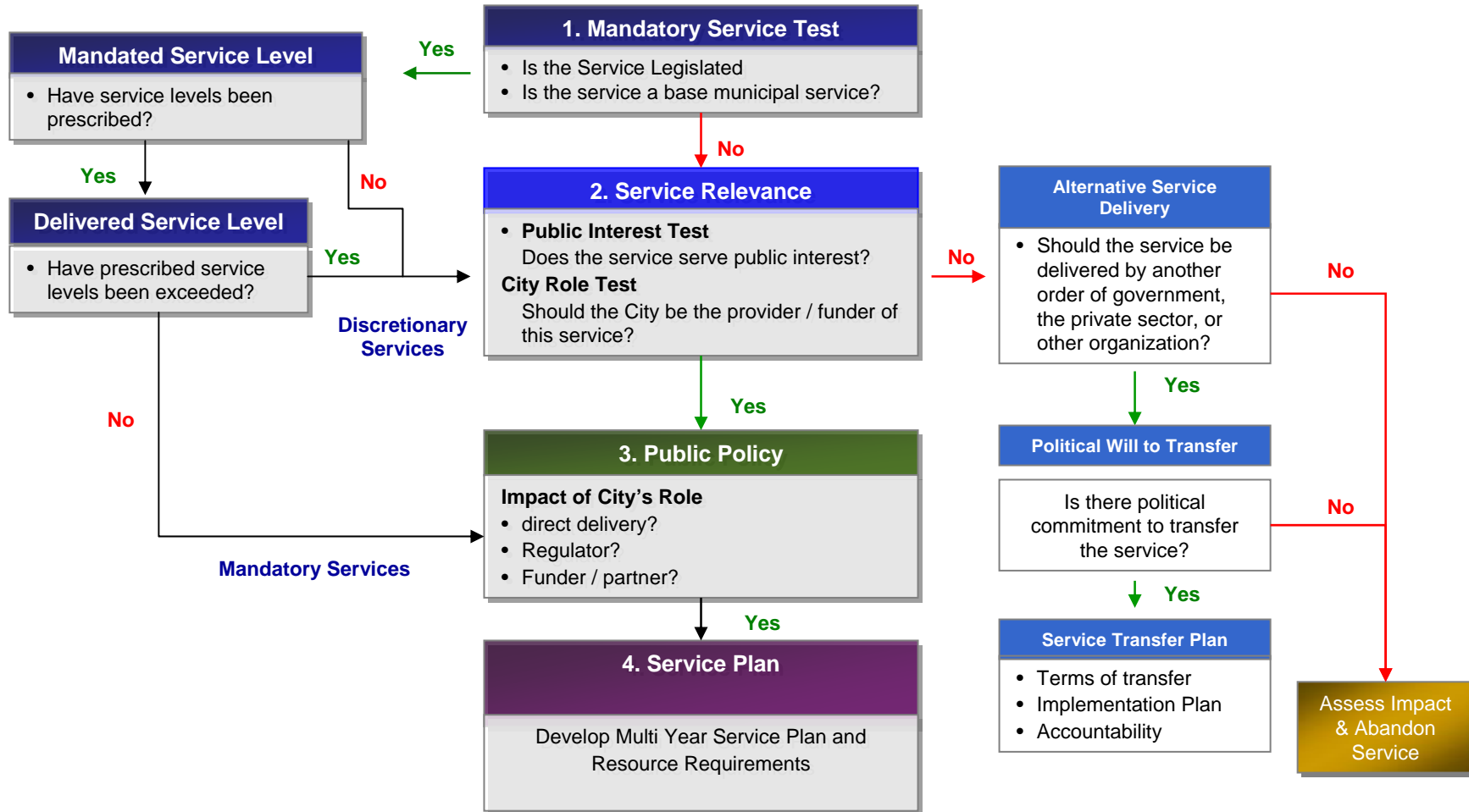
Outputs:

- Prioritized list of core and non-core (or discretionary) services and service levels
- List of services that could be, streamlined, partnered
- Opportunities for efficiencies, cost savings, collaboration and further review

Core Service Continuum



Core Service Filter



Core Service Review Framework – Key Questions

Core Service

- Is the service mandated by provincial legislation?
- Is the service a key municipal service – water / waste water, solid waste disposal, building permits, parks and recreation services, roads, etc.?
- Does the service level for mandatory services exceed what has been prescribed by the Province or City Council?

Public Interest Test

1. Community Wellness

- Does the service fulfill the basic needs (shelter, food, clothing transportation or medical care) of the vulnerable?
- Does the service contribute to public health and safety?
- Does the service fulfill the emergency health goals of the City?
- Does it promote social development initiatives?

Core Service Review Framework – Key Questions

Public Interest Test

2. Physical Infrastructure and Environment:

- Is the development and maintenance of the infrastructure essential to provide core services?
- Does infrastructure investment enhance or protect the health and safety of the public?
- Does the service reduce or prevent degradation of the environment?

3. Economic Environment:

- Does the service create a competitive environment for business to develop and flourish?
- Does it generate 'direct' or 'indirect' economic benefits?

Core Service Review Framework – Key Questions

City Role Test - Accountability, Delivery Effectiveness and Efficiency

- Are other orders of governments and / or agencies providing the same or similar services with similar intended outcomes?
- Is the present service delivery approach the best way to providing the service?
 - Is there clarity of mandate, duplication?
- Is there adequate justification for providing any excess service level?
- What is the risk / impact of eliminating the excess service level?
- For non-core services, what policy objective(s) do they satisfy?
- Does the policy objective for providing specific non-core services satisfy Council's mandate?
- To what extent are non-core service cost recovered?
 - What per cent of the service cost is recovered through user fees?
 - What would be the impact of increasing user fees to achieve full cost recovery?
- Has the service been subject to a program and / or efficiency review during the past 2 to 3 years?
- To what degree has the service achieved its performance targets during the past 3 years?
- How do unit costs compare against those of similar service providers?

2008 Operating Budget

2008 Operating Budget – Recommended Guidelines and Directions

- Introduce Service Plan and Service Rationalization / Review
- Achieve target of *Zero* net increase over 2007
- Maintain continuous improvement initiatives – efficiency reviews, program reviews, performance measures
- Maintain core services and service levels
- Increase user fees to maximize cost recovery
- Reduce reliance on non-recurring revenues to fund operating expenditures
- Consider only new and enhanced investments that deliver on the Mayor's mandate and Council's Policy Agenda

2008 Operating Budget – Guidelines and Directions (continued)

- Consider property tax increase in line with City of Toronto rate of inflation
- Continue negotiations with the Province to upload / honour legislated social services cost sharing
- Introduce new COTA revenue tools to fund City Building initiatives and to help fix structural deficit problem

2008 / 2009 Tax Levy Operating Estimates

Starting Pressure - Incremental

	\$Millions	
	2008	2009
Expenditures Increases:		
- Cost of Living Allowance/Merit	120.0	48.0
- Inflation	27.0	
- Debt Service Cost	47.5	50.0
- Annualization and Other	71.6	60.2
	266.1	158.2
Non-Tax Revenue Change	(43.1)	
Total Base Budget Impact	223.0	158.2
Unsustainable Budget Balancing Strategies:		
Provincial Assistance - Transit Operations	100.0	0.0
City Non-Recurrent Revenues		
- Hydro Note Revenues - Interest and Dividends	106.0	
- Cost Shared Programs Reserve Draws	80.0	
- Non Program Reserve Draws	172.0	
- Move Ontario Trust	30.0	0.0
Total Non-Recurrent Revenues	388.0	0.0
Starting Pressure	711.0	158.2

Detailed Reviews for 2008

- **Suggested City Programs, ABCs for detailed review**
 - **Parks, Forestry & Recreation**
 - **Shelter, Support and Housing Administration**
 - **Solid Waste Management**
 - **City Planning**
 - **Facilities & Real Estate**
 - **Transportation Services**
 - **TTC**
 - **Public Health**

2008 – 2012 Capital Budget and Plan

2008 – 2012 Capital Budget and Plan - Guidelines

- Five-Year Capital Plan - rules of engagement apply:
 - Maintain Integrity of 2008 – 2011 capital plan:
 - ✓ basis for developing 2008 – 2012 Capital Budget and Plan
 - ✓ add new fifth year
 - ✓ approved debt levels to be maintained by year
 - ✓ acceleration of projects to be offset by deferral of other projects with equal value
- 2012 recommended new debt target = \$220
- 2008 CFC - \$137 million – to increase by 10% annually
- Allocation of available funds in following priority order:
 - Previously approved projects already in progress
 - New Health and Safety, Legislated and SOGR projects
- Manage over-target debt of \$55 million included in the 2007 – 2011 Capital Budget and Plan

2007 – 2011 Tax Supported Capital Plan and 2012 Debt / CFC Target

Cluster	2007 Budget		2008 - 2011 Plan								2012 Recommended Debt / CFC Target
			2008		2009		2010		2011		
	Gross	Debt/CFC	Gross	Debt/CFC	Gross	Debt/CFC	Gross	Debt/CFC	Gross	Debt/CFC	
Citizen Centred Services - 'A'	126,958	64,598	103,824	61,805	95,157	56,868	92,283	62,583	79,269	61,200	61,200
Citizen Centred Services - 'B'	335,707	202,561	344,068	213,512	281,999	202,042	281,863	215,117	284,727	224,769	224,769
Internal Services	116,560	42,800	107,366	43,975	100,657	43,744	98,943	42,963	89,947	41,400	41,400
Other City Programs	22,608	10,713	22,713	14,441	38,839	36,271	37,513	36,756	21,044	20,364	750
Total City Operations	601,833	320,672	577,971	333,733	516,652	338,925	510,602	357,419	474,987	347,733	328,119
Special Purpose Bodies	90,181	61,125	103,864	74,975	89,712	51,631	93,459	60,543	87,824	50,319	69,933
GO Transit	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Toronto Transit Commission	717,304	226,864	696,413	167,199	764,664	200,000	694,171	200,000	571,490	194,348	194,348
Toronto Port Authority	3,000	2,615	3,000	2,615	1,700	1,315	1,700	1,315	1,700	1,315	1,315
Total Tax Supported Programs	1,432,318	631,276	1,401,248	598,522	1,392,728	611,871	1,319,932	639,277	1,156,001	613,715	613,715
Less:											
CFC		124,172		136,589		150,248		165,273		181,800	199,980
Retire / Reissue Debt		200,000		200,000		200,000		200,000		200,000	200,000
New Debt		307,104		261,933		261,623		274,004		231,915	213,735

Capital Plan and Funding Issues

- **Expansion / New facilities**
 - Introduce City-wide priority setting process
- **Unfunded / Emerging capital projects**
 - Any additions must be offset by deferral of equal value
- **Unplanned land and other capital asset acquisition**
 - No funds available in LARF
 - Acquisitions must be incorporated into 5-year capital plan – within debt limits

2008 Proposed Financial Planning Review Schedule

Activity	Service Plan Review	Capital & Operating	Capital Budget	Operating Budget
	All City Programs and ABCs	Toronto Water (TW) Approval in November 2007,	(excluding TW) Approval in December, 2007	(excluding TW) Approval in March, 2008
Administrative				
Submission	Sep. 10, 2007	Aug. 1, 2007	Aug. 15, 2007	Sep. 21, 2007
Political Review				
Budget Committee : Introduction	Oct. 24, 2007	Oct. 16, 2007	Oct. 29, 2007*	Jan. 28, 2008
Budget Committee Hearings : Councillors (C) & Public (P)	Oct. 19, 2007	Oct. 19, 2007*	Nov. 13, 2007	Feb 4 (C) & 5 (P), 2008
Budget Committee Review			Nov. 14, 2007*	Feb. 11, 14, & 25, 2008
Budget Committee Final Wrap-up		Oct. 24, 2007*	Nov. 21, 2007*	Mar.5, 2008
Executive Committee Review	Nov. 9, 2007	Nov. 9, 2007*	Nov. 26, 2007	Mar. 17, 2008
City Council		Nov. 20, 2007	Dec. 6, 2007*	Mar. 25 & 26, 2008

Note:

* *Special Meeting to be called by Chair*

