



STAFF REPORT ACTION REQUIRED

2010 Budget Committee Recommended Operating Budget

Date:	March 23, 2010
To:	Executive Committee
From:	City Manager Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2010\Internal Services\FP\Ec10008Fp (AFS#11081)

SUMMARY

The purpose of this report is to present the 2010 Budget Committee (BC) Recommended Operating Budget for City Programs, Agencies, Boards and Commissions, and to obtain Council's approval of the services, service levels and spending plans detailed therein. The recommended budget includes a residential property tax increase of 2.9%, and a non residential property tax of 0.967% which, together represent a 1.83% increase on the total property tax base.

The 2010 Budget Committee Recommended Gross Operating Budget of \$9.214 billion is 38% funded by property tax revenues (the net budget) totalling \$3.534 billion. This budget protects key services and initiatives that continue to help Toronto residents and businesses during the prevailing economic uncertainty. The 2010 Recommended Gross Operating Budget reflects an increase of 3% over 2009. Primarily, the increase is driven by the commitment to maintain and protect key services such as police, transit, recreation, and children and social services; and to address the adverse Ontario Works caseload impact of the ongoing recession. Altogether, the services listed above increased by \$297 million or 97% of the total gross expenditure increase of \$305 million.

For the third consecutive year, the operating budget was balanced upon introduction to the public on February 16, 2010. This was achieved despite the lack of transit funding assistance from the Province, which was considered as part of the City's strategy to address the annual operating budget shortfall. Balancing the 2010 Operating Budget was achieved through a service review initiative that commenced in May 2009 and was focussed on achieving a \$170 million base budget reduction target in each of 2010 and

2011, as well as: increased user fees and introduction of new user fees; further upload of provincial services (including the Ontario Drug Benefit program (ODB) and the Ontario Works benefits and the cost of administration (COA) cap removal); contributions from reserves, tax increases and utilization of 2009 operating budget surplus. It is noted that unsustainable/one-time strategies used in the 2010 Operating Budget total \$343 million, \$108 million less than the \$451 million utilized in 2009.

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RECOMMENDATIONS

The Budget Committee recommends the following to Executive Committee for recommendation to Council that:

1. City Council approve the 2010 Budget Committee Recommended Tax Supported Operating Budget of \$9.214 billion gross and \$3.534 billion net as detailed in Appendix 1, comprised of the following:
 - i.* a Base Budget of \$9.158 billion gross and \$3.532 billion net to maintain existing services and service levels; and,
 - ii.* an investment in strategic new and enhanced service priorities of \$56.255 million gross and \$2.606 million net.

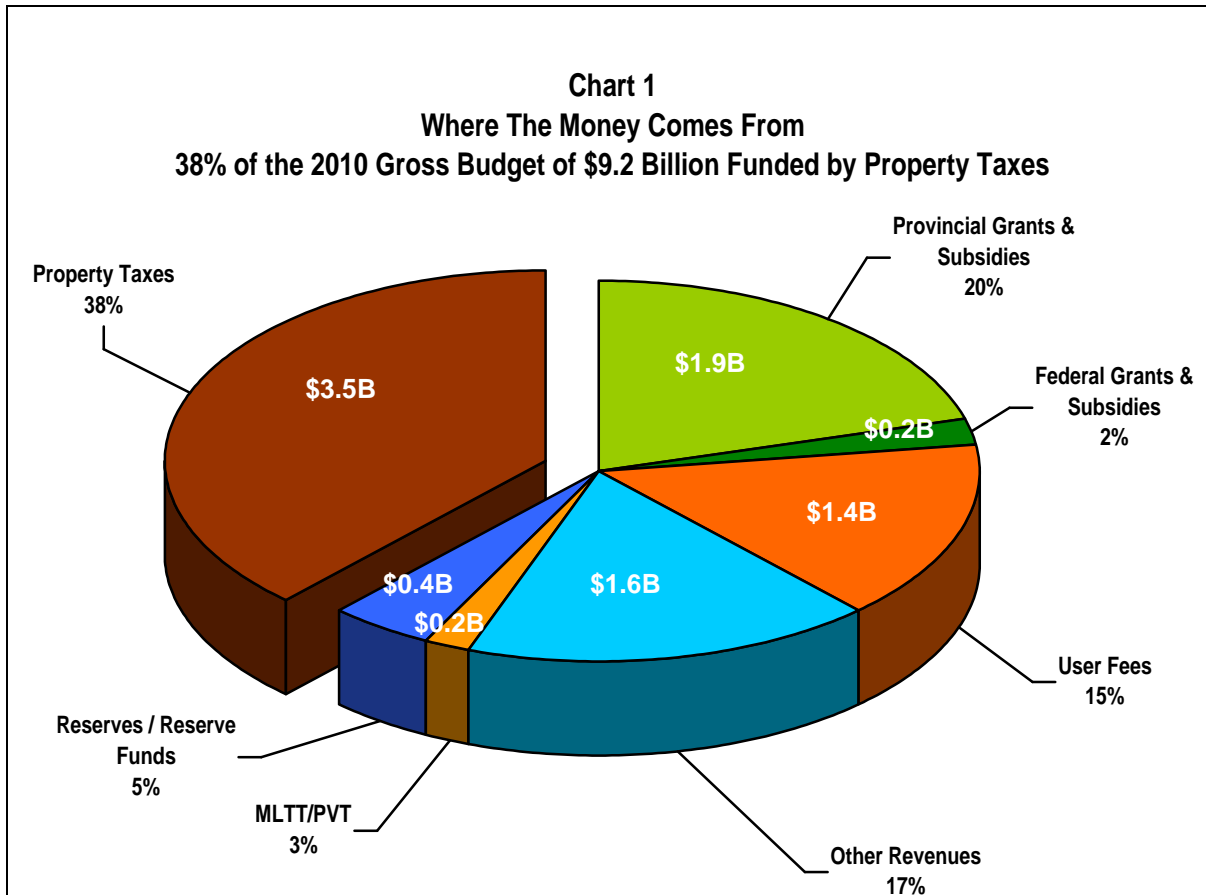
2. City Council approve the introduction of new user fees and charges, and changes to the rates of existing user fees and charges included in the 2010 Budget Committee Recommended Operating Budgets of City Programs, Agencies, Boards and Commissions which will generate incremental revenues totalling \$15.598 million.
3. City Council approve the use of \$275.721 million from the 2009 Operating Surplus to fund the 2010 Operating Budget.
4. City Council approve the 2010 sinking fund levies of \$147,506,495.33 for the City of Toronto and \$2,293,802.99 for the Toronto District School Board.
5. City Council approve the Recommendations for City Programs, Agencies, Boards and Commissions detailed in Appendix 3 attached.
6. City Council approve the 2010 Budget Committee Recommended Operating Budget for the Toronto Parking Authority totalling \$68.735 million gross and \$55.685 million net.
7. City Council receive the reports, transmittals and communications that are on file with the City Clerk's Office (including Appendix 4 herewith attached) as considered by the Budget Committee at its 2010 budget review meetings.

Financial Impact

2010 Operating Budget Summary

The 2010 Operating Budget is balanced and in accordance with directions issued by the City Manager, maintains and protects key services and service levels; keeps residential property tax increase to 2.9% and non-residential to 0.967%, resulting in a net increase on the total property tax base of 1.83%. Investment in new/enhanced services has been constrained and where recommended, investment in new/enhanced services is mainly funded through partnerships and new user fees. As a result, investment of \$56.255 million in new/enhanced services only requires property tax funding of \$2.606 million.

As shown in Chart 1 below, the 2010 Budget Committee Recommended Operating Budget is funded primarily by property taxes of \$3.534 billion, user fees and charges of \$1.351 billion; Provincial transfers of \$1.849 billion; and Other Revenues of \$1.621 billion. In total, property tax revenues will increase by \$96.1879 million in 2010. Assessment growth represents \$33.150 million of the increase with the remaining \$63.039 million attributed to a 1.83% tax increase on the total property tax base, which translates into an average increase of \$67.69 on the average household of \$407,374.



How the 2010 Operating Budget was Balanced

Primarily driven by unsustainable strategies totalling \$451 million (inclusive of \$238 million of Provincial funding for transit debt service cost; \$139 million of reserves and funds from Closed Capital Projects; and \$74 million from 2008 Surplus), the City's 2010 Outlook indicated a beginning budget pressure of \$821 million. This significant 2010 Outlook pressure was finalized in May, 2009, and prompted the City Manager and Deputy City Manager & Chief Financial Officer to institute a Four Point Plan with a goal of finding savings totalling \$170 million in each of 2010 and 2011.

Table 1 summarizes the strategies used to balance the 2010 Operating Budget. As is evident in the table, City staff found sustainable strategies totalling \$382 million. Most significantly, staff achieved the reduction target established by the City Manager. This resulted from a cost restraint initiative introduced in the fall of 2009; and a protracted service review process that realized significant efficiencies and service changes without compromising the city's commitment to protect services that Toronto residents and businesses demand. Other sustainable budget balancing strategies included the introduction of a transit fare increase which will raise additional revenues of \$50 million;

savings from the continued upload of provincial social services costs and the elimination of the funding cap on the cost of administration amounting to \$119 million.

Unsustainable strategies totalled \$343 million, comprised of the use of Prior Year Surplus of \$276 million and contributions from reserves of \$67 million. As is evident in the 2009 Preliminary Year-end Variance Report, the surplus is mainly attributed to prudent financial management which resulted in wage settlement savings; reduced assessment appeals; higher interest and investment income; higher supplementary taxes and revenues from the municipal land transfer tax; along with savings derived from the 2009 labour disruption.

It is noted that the City did not receive assistance from the Province for transit operations in 2010. However, negotiations with the Province will continue and it is expected that an agreement on long-term, sustainable transit funding will be reached by December 1, 2010.

Table 1	
2010 Balancing Strategies	
	\$Millions
2010 Beginning Pressure - May 2009	821
Sustainable Strategies	
Cost Reductions, Service Efficiencies, and Service Changes	(167)
User Fee Increases and New Fees	(12)
TTC Fare Increase	(50)
MLTT and PVT Revenue Increase	(12)
Interest and Investment Income, Parking Authority and Third Party Sign Tax	(22)
Provincial Upload - ODSP/OW, COA Cap elimination	(119)
Total Sustainable Strategies	(382)
Pressure Before Unsustainable Strategies and Property Tax Increase	439
Unsustainable Strategies	
Prior Year Surplus Applied to 2010 Budget:	
Labour disruption savings	(31)
Prior Year Surplus Applied to TTC Operations in the Absence of Toronto-Ontario Partnership Agreement on Transit Funding	(245)
Reserve Draws - Provincial Mandated Programs	(67)
Total Unsustainable Strategies	(343)
Adjusted Pressure Before Property Tax Increase	96
Assessment Growth	(33)
Property Tax Increases (2.9% Res; 0.967% Bus.)	(63)
	0

The unsustainable strategies discussed above will contribute to a beginning budget pressure in 2011. It is important to note that the unsustainable strategies of \$343 million

utilized to balance the 2010 Operating Budget are \$108 million less than the \$451 million utilized in 2009. In part, this is attributable to the successful steps taken to address the City's annual operating budget shortfall, which are discussed in greater detail in the Long Term Fiscal Plan.

Finally, increased property tax revenues of \$96 million comprised of assessment growth of \$33 million and a tax increase (2.9% on residential properties and 0.967% on commercial, industrial and multi-residential property classes) of \$63 million ensured a balanced 2010 Operating Budget.

Where the 2010 Net Operating Budget Will be Spent

Chart 2 below shows where the property tax of \$2,334.07 paid on the average house with an assessed value of \$407,374 will be spent. Approximately 25% or \$605 will be spent on police services. As the chart indicates, 78% of the property tax paid by residential taxpayers living in an average house will fund debt service cost for capital works to support key services, and City services such as Police and Fire protection; Transit, Employment and Social Services; and Parks, Forestry and Recreation.

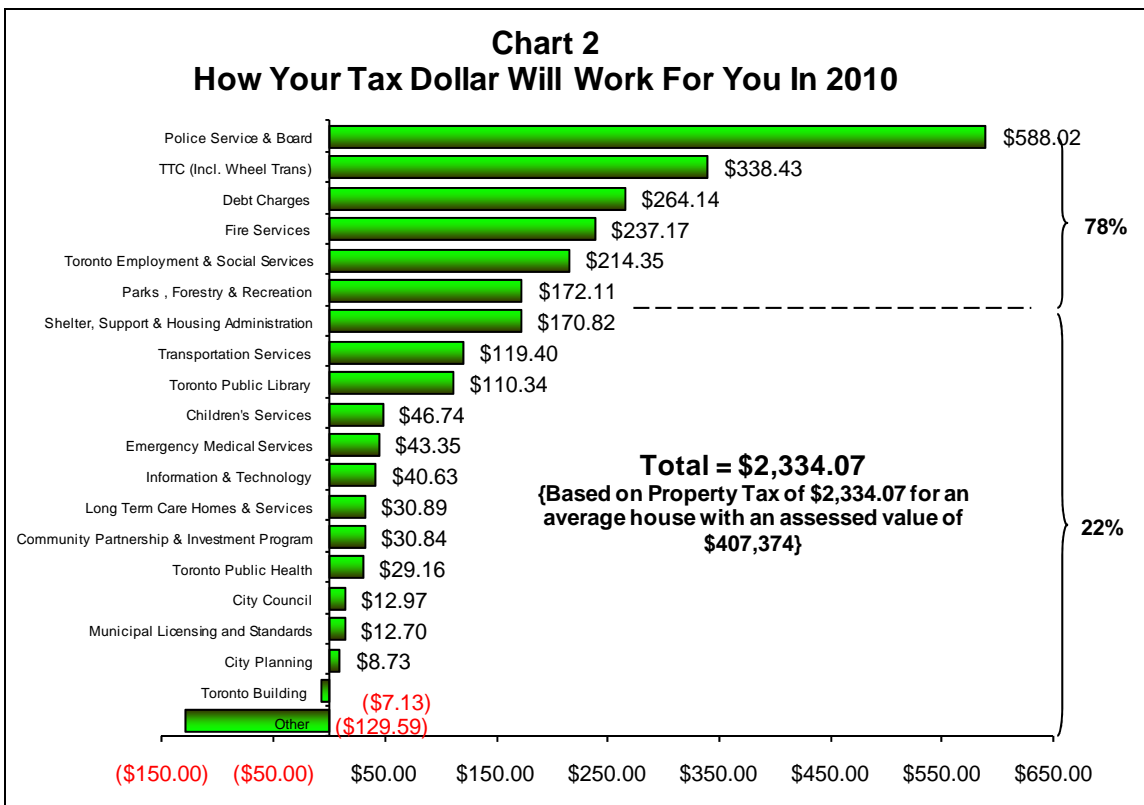
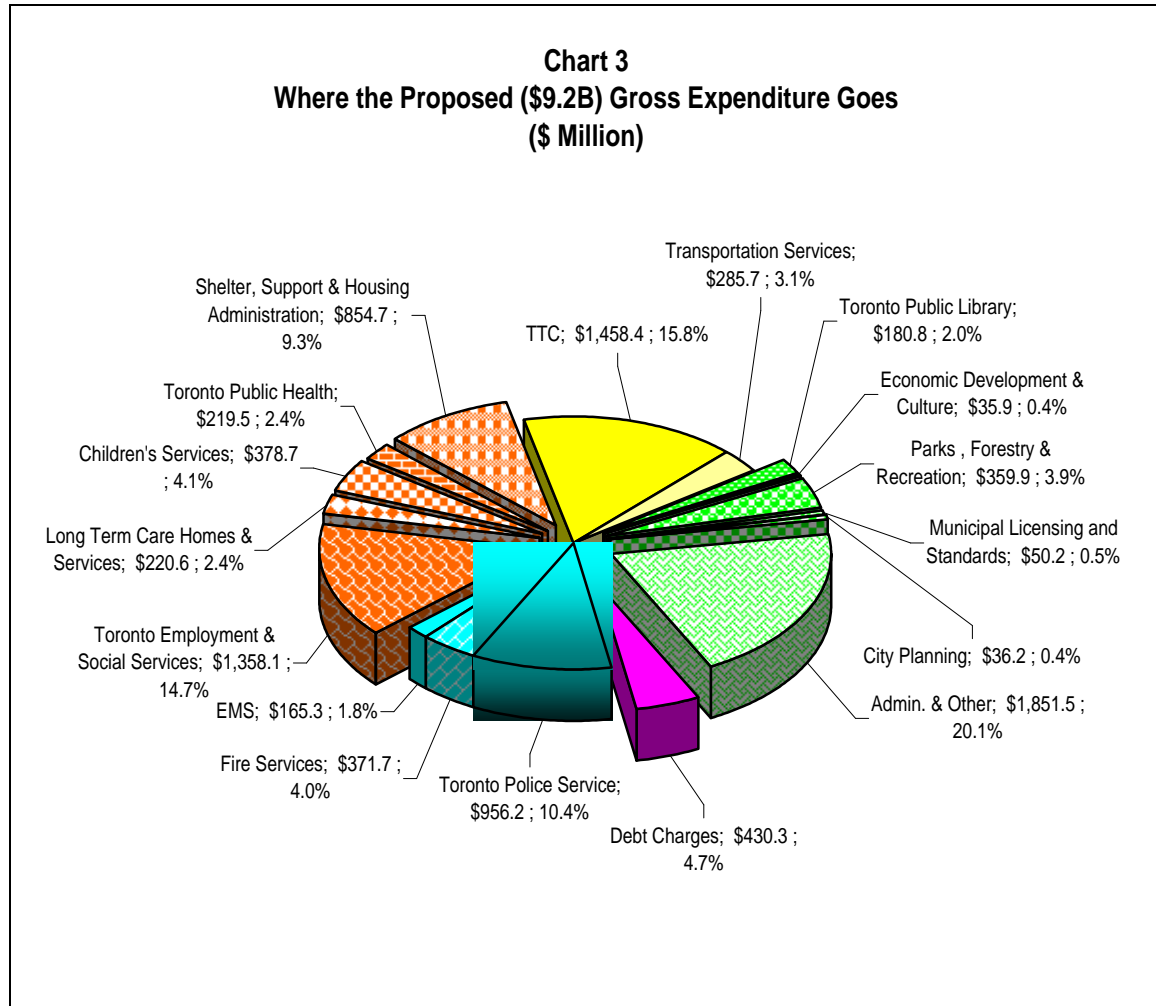


Chart 3 shows that more than two thirds of the 2010 Operating (Gross) Expenditure Budget of \$9.214 billion will be spent on services that the City has either no direct control over or have significant implications if cut. The emergency services (Fire, Police

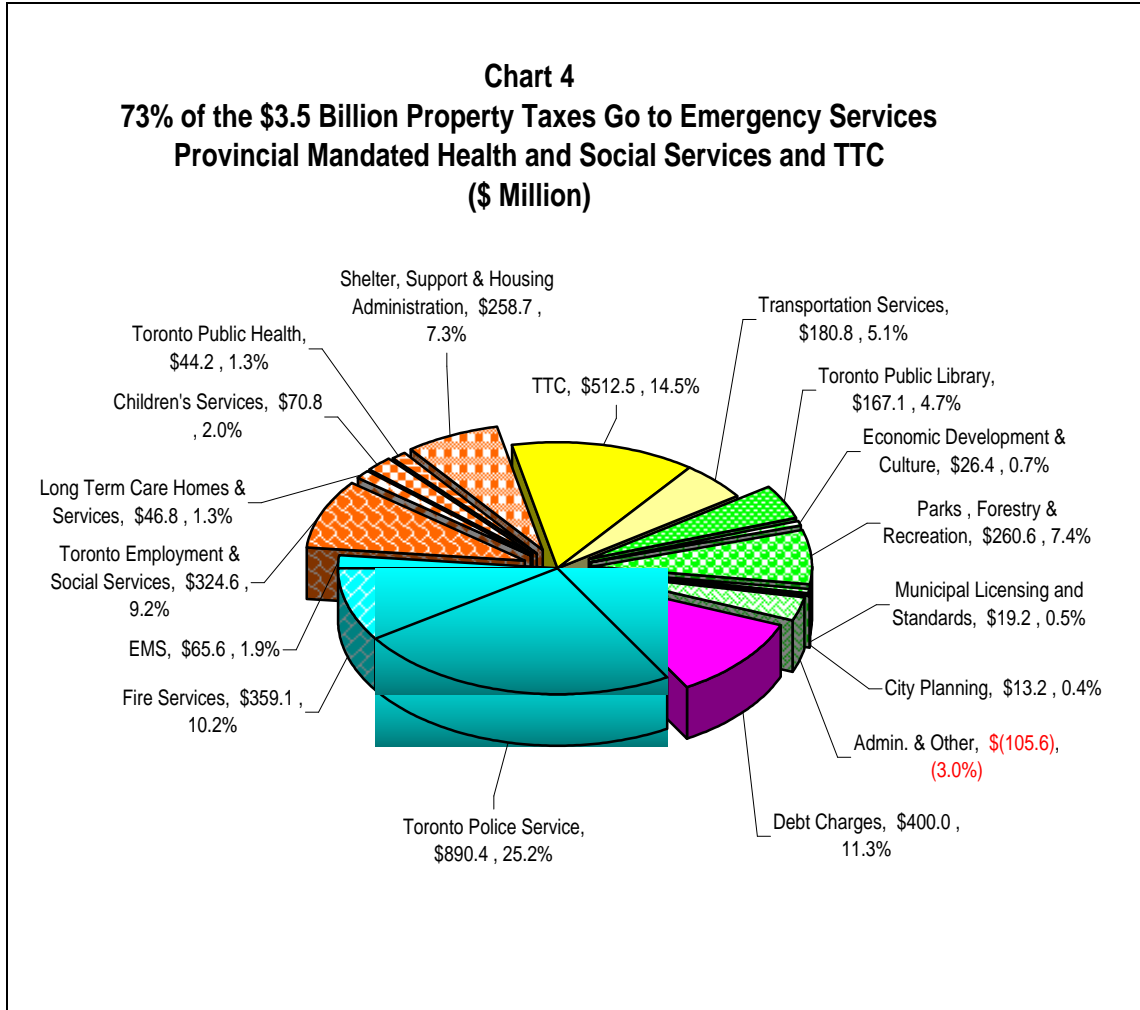
and Emergency Medical Services) account for 16%; Transit 16%; and the cost shared /Provincially Mandated Services account for another 33%. Altogether, these services plus the repayment of debt principal and interest represent 70% of the City's total expenditures.



2010 Budget Committee Recommended Net Operating Budget

The 2010 Net Operating Budget (or Property Tax Levy) is \$3.534 billion, which represents an increase of \$96.189 million or 2.8% over 2009. As a proportion of the gross operating budget, the net budget financed from property taxes has declined consistently from a high of 46% in 1999 to 38% in 2010. This reduced reliance on property taxes is consistent with the City's strategic direction toward a well-balanced and diversified set of sustainable and predictable revenue sources. In part, the 2010 reduced reliance on property taxes is attributed to increased fare and user fee revenues, growth in municipal land transfer tax revenues, and further upload of the costs for provincial social services.

Chart 4 illustrates where the 2010 Net Operating Budget will be spent. Consistent with the allocation of the gross expenditures, 73% of the 2010 Net Budget is directed to emergency services, cost shared / provincially mandated health and social services, and transit.



COMMENTS

The Economic Environment

In 2010, the City faced financial challenges arising from a combination of current economic conditions, growing demands for services, lack of a diversified, predictable and sustainable set of revenue sources and the continuing impact of one-time revenues used to balance the operating budget. Meeting the demands for city services continue to be the number one challenge. This has been compounded by the impact of the recession. The Canadian economy as a whole has suffered from the steep decline that began in the international economy in the last quarter of 2008 and deepened in 2009. However, the impact of this decline on the City of Toronto has been severe due to systemic funding

issues. The Conference Board of Canada is projecting that the outlook for the Ontario economy is positive and after contracting by 3.6 per cent in 2009, it will reverse course with real GDP forecast to rise by 3.5 percent in 2010 and 3.7 percent in 2011.

While this is good news for the nation's economy, the benefits of this growth might not favourably impact the City's budget in the coming year as job recovery remains slow and Ontario Works caseload continues to grow. The City's structural funding shortfall has developed over a number of years and its resolution requires a long-term, strategic approach to create sustainable solutions. Addressing the annual operating budget shortfall has been a primary goal of staff during the past several years; some successes have been made as has been discussed earlier. However, given that the City has minimal control over a sizable proportion of its expenditures, full resolution of the inequity between the services it is provincially mandated to provide and the sufficiency of revenues to provide these services, fixing the structural shortfall will remain a challenge in 2010.

The forecast growth for the Ontario economy in 2010 will not be felt immediately in the labour market and the slow job recovery will continue to impact Ontario Works. The reliance on one-time revenues, such as reserves and surpluses, is not sustainable and will continue to put significant stress each year on the City's ability to balance the budget.

Recession Impacts

The impact of the global economic downturn on the local economy has been marked by higher unemployment and slow job recovery, resulting in Ontario Works projecting an average monthly caseload increase from 90,000 to 105,000. Furthermore, the continued impact of the recession will result in: a reduction in revenues for Planning and Building activities; a potential reduction in TTC ridership, and a reduction in user fees for discretionary services. While general inflation remains low, the effects of this will be impacted by low interest rates which will moderate the cost of new debt as well as the returns from investment income.

Labour Costs/Agreements

In 2009, the City reached new three-year agreements with its two major bargaining units, resulting in moderate 2010 wage increases of 2%, while non union wages were limited to a 1% increase. Furthermore, a policy decision was made to discontinue the non-union re-earnable lump sum payment for 2009 and 2010. These are positive strategies from a cost control and containment standpoint, particularly given the prevailing economic situation. However, major labour agreements are up for renewal beginning in 2010 (Fire Services) and in 2011 (Toronto Police Service and TTC), requiring that the City exercise prudence in an effort to ensure a competitive compensation plan to attract the right employees without exacerbating the existing fiscal challenges.

It is noted that salaries and benefits, account for nearly 48% of the City's 2010 Recommended Gross Operating Budget. Fringe benefits in particular, comprise a growing proportion of the costs.

Achieving a balance between the City's policy decision to protect services and the growing cost of providing these services requires that the growth in labour cost be contained. To this end, as part of the Four Point Plan cost constraint, a slow down on all external and internal hires were implemented, and a review of all vacant positions was undertaken to identify those that has been vacant for three or more years and could be deleted. These strategies will help contain cost in order to protect services needed by the citizens of Toronto and will continue into 2010.

2010 Financial Planning Process

In 2010, the City's financial planning process was altered in order to manage to the sizable 2010 budget pressure (the unfavourable gap between recurring revenues and recurring expenditures) that largely resulted because of unsustainable revenue strategies utilized to balance the 2009 Operating Budget. In May of 2010, staff determined that the City faced a 2010 budget pressure of \$821 million and analysis confirmed that it was necessary to undertake action early to resolve this issue. As a result, the City Manager established a Four Point Plan and directed staff to begin an intensive service review process to find sustainable cost savings to ensure that a balanced budget would be presented at the 2010 Budget Launch.

The City Manager's Four-Point Plan was comprised of the following initiatives:

1. **2009 Cost Constraint** – All City Programs were instructed to exercise cost constraint to help realize a \$100 million Surplus, which would be used to mitigate the 2010 budget pressure. Specifically, staff was asked to implement a hiring slow-down, and to constrain discretionary spending.
2. **Service review process – Reduction targets of \$170 million were assigned in each of 2010 and 2011.** This was the principal pillar of the four-point plan and is discussed in some detail below.
3. **Maximize corporate asset values to pay down debt** - This key strategy is geared toward fixing the fiscal imbalance in the longer term and is in accordance with the findings of the Mayor's Fiscal Review Panel. The Panel recommended that:

A systematic review of capital assets including a roadmap for offsetting significant portions of the current tax supported cumulative debt to allow the City the elbow room to finance strategic investments in the TTC, infrastructure projects and other key priorities.

The debt refinancing strategy approved by City Council with the 2010 – 2019 Capital Budget and Plan was a first initiative to pay down City debt and to reduce debt service cost.

4. **Permanent Provincial Funding** – Although not a new strategy, inclusion of this initiative in the Four-Point Plan emphasizes the need for equitable funding of cost shared and Provincially Mandated Services. In particular, it reconfirms the need for the City to continue its efforts to secure full cost sharing for the social service cost of administration and for a return to permanent, predictable transit operating funding beginning in 2011. With regards to the latter, a target date of December 1, 2010 to confirm a Toronto-Ontario partnership has been set.

Service Review Process

The service review process (see Chart 5) was designed to examine all services provided by the City and its Agencies, Boards and Commissions, with the goal of finding sustainable savings to address the budget shortfall. Furthermore, the service review was intended to identify areas where service changes could be made to achieve the greatest savings with the least impact on citizens. To this end, all Programs and ABCs were to identify expenditure reductions and other measures to achieve the target savings of a minimum of 10% over two years. The service reviews included the following:

- An analysis of vacant positions in order to determine which ones could be deleted without negatively impacting the key services and service levels expected by the public.
- Identification of changes in business practices/processes that could produce efficiencies and cost reductions, including opportunities for collaboration in order to more efficiently deliver City services.
- Opportunities for changes in revenues or new revenue sources.
- An examination of services and activities to review service delivery, service levels and standards and whether services continue to be relevant for meeting the City's strategic direction, and to determine suitable service candidates for reduction or elimination.

A tool kit containing information to guide Division Heads in performing the service review and developing expenditure reduction proposals, as well as an electronic database to document the business case proposals were developed and distributed in May 2009. A corporate review team comprised of staff from the City Manager's Office, Human Resources and the Financial Planning Division was commissioned to review the service review proposals and to advise the City Manager and Deputy City Managers on the feasibility of the proposals. The proposals were reviewed against a spectrum of priorities ranging from: viability of proposals; impact on Council and Mayor's priorities; and impact on the most vulnerable. Business case proposals were categorized into four options based on the defined impact on the particular service or activity: maintain; transfer or consolidate; reduce; and eliminate. Each option was further classified as: efficiency; revenue change; minor service change; major service change, or requiring in-depth review.

2010 Budget Process, Directions and Schedule

As indicated above, in response to the sizeable 2010 Outlook budget pressure, the 2010 budget process was complemented by the Service Review process which begun in April 2009, and was geared toward identifying permanent, sustainable cost reduction and revenue increases in advance of the budget process. The service review findings and decisions were then incorporated into the 2010 Operating Budget process.

The Operating Budget process was designed to ensure that the City's resources are utilized in a manner that produces results in a responsible and measurable way. From September 2009 to mid February 2010, the City Manager, Chief Financial Officer and Financial Planning Division and then Budget Committee members carefully reviewed and evaluated all budget submissions. These reviews were guided by the City Manager's budget directions, guidelines and financial policies; as well as the City Manager's mandate and obligation to provide services and services levels efficiently and effectively.

2010 Budget Directions and Schedule:

The City Manager, and Deputy City Manager & Chief Financial Officer's (DCM&CFO) 2010 Operating Budget Direction and Guidelines were issued on October 9, 2009. These guidelines were shaped by the fiscal challenges that the City has been facing for several years and the exacerbating impact of the 2008 recession. In introducing the directions and guidelines, the City Manager and DCM&CFO noted that:

“Although there are encouraging signs that the recession may be over soon, there is a general consensus that the recovery will be modest and slow. Employment in particular is expected to grow slowly, which may cause welfare rates to remain at recession levels for one or two more years. Investments made by businesses and homeowners may take some time before they reach pre-recession levels. This may dampen revenues from assessment growth and land transfer taxes. Finally, the recession has caused deep deficits for the Federal and Provincial governments which could impact partnership operating funding support.”

The City Manager and DCM&CFO reminded staff that despite “best efforts, the rising cost of inflation, the slow growth of recurring revenues and the current recession have put pressure on social services costs and user fee revenues and have impaired progress on fixing the structural deficit. As a result, the City's financial situation for 2010 and 2011 will not be sustainable without significant and urgent action.”

In summary, the final 2010 – 2011 Operating Budget Directions were shaped by the need to address the City's fiscal deficit, which had been made worse by the current economic recession. To mitigate the budget shortfall, the City Manager and DCM & CFO directed all City Programs and ABCs to fully comply with the following directions and guidelines when developing the 2010 Operating Budget and 2011 Outlook:

- Control expenditures through cost saving measures beginning immediately.

- Focus on implementing existing priorities within the base budget.
- Introduce no new initiatives, except for those that are partnership/non-tax revenue funded, or are absolutely necessary to achieve Council's highest priorities.
- Achieve operating budget reduction targets of \$170 million of the 2009 Net Operating Budget in each of 2010 and 2011, except for Court Services, Toronto Building and Fleet Services whose budget reduction is based on gross expenditures.
- Review all services and service levels for efficiencies, conformance to approved standards, and relevance.
- Identify all vacancies to identify positions for deletion.
- Where no GST applies, increase existing user fees at least by the City of Toronto rate of inflation except if the rate is established by legislation.
- Do not budget for the impact of HST.
- Maintain the 2009 gapping rate for both 2010 and 2011.
- Budget COLA based on the following rates: Union 2%; Management / Non Union 1%.
- Budgeted Progression Pay increase at – up to 3%; do not include re-earnable performance lump-sum payments
- Calculate fringe benefits based on 2009 projected actual experience but not to exceed:
 - 24.81% for permanent employees
 - 11% for recreational and casual employees

The 2010 Budget Schedule is summarized in Table 2 below. In conformance with the City's approved budget process, City Program and ABC budget submissions were reviewed by the Financial Planning Division to analyze budget requests to ensure reserves are used efficiently and effectively and to confirm compliance with the City Manager and DCM & CFO directions; and to assist all service changes. Moreover, as is indicated in the table, the budget schedule provided opportunities for the City councillors and the public to make presentations and provide advice to the Budget Committee on the Staff Recommended Budget. It is noted that the public was afforded two days to make presentation on the budget.

On March 12, 2010, the Budget Committee amended the 2010 Staff Recommended Operating Budget and approved its Recommended Budget for coordination by the Executive Committee. On March 26, the Budget Committee will submit the 2010 Recommended Operating Budget to the Executive Committee for review and submission to City Council for final review and approval on April 15 and 16, 2010.

**Table 2
2010 Budget Schedule – Key Dates**

Activity	Date
Service Review	<ul style="list-style-type: none"> • May – August
City Program and ABCs Budget Development / Preparation	<ul style="list-style-type: none"> • June – October
Budget Requests Submitted to Financial Planning	<ul style="list-style-type: none"> • October 23, 2009
Administrative Review: CM, CFO/DCM Review & Prepare Budget Documents	<ul style="list-style-type: none"> • October – January
2010 Staff Recommended Operating Budget	<ul style="list-style-type: none"> • February 16, 2010
Budget Committee – Hearings	<ul style="list-style-type: none"> • February 25 – Councillors • March 1 & 2 – Public
Budget Committee Reviews	<ul style="list-style-type: none"> • March 3, 4, 5 & 12
Budget Committee – Final Wrap-Up	<ul style="list-style-type: none"> • March 26
Executive Committee Review	<ul style="list-style-type: none"> • April 7
City Council Review	<ul style="list-style-type: none"> • April 15 & 16

Inflation/Economic Factors

The 2010 Operating Budget was developed based on the assumption that services and service levels approved in 2009 should be maintained. Based on this premise, a key element of the 2010 budget process was to determine economic factors that should be applied against 2009 expenditures in order to estimate the 2010 cost of providing prior year approved services and service levels.

In order to provide key services to Toronto residents, the City consumes a wide range of commodities that have varying economic factors. Since the inflationary factors for some goods and services are more volatile than others, a single rate of inflation cannot be applied to all commodities purchased by the City. Instead, the City uses a commodity-specific price schedule that more accurately reflects the changing prices of specific goods and services that it consumes.

The economic factors used in establishing the 2010 Budget Committee Recommended Operating Base Budget are listed in Table 3. It is noted that contracts with fixed prices

over their term are not adjusted for inflation. Where contracts specify 2010 prices, such expenditures are adjusted in the operating budget to reflect the contract price. Also notable, is that diesel and gasoline price forecasts remained at the 2008 and 2009 price of \$1.01 per litre for both.

To achieve the 2010 Operating Budget reduction targets, most City Programs and ABCs absorbed inflationary increases which significantly reduced or entirely removed funding for the economic factor impacts. The Financial Planning Division will continue to monitor all economic factors throughout 2010 and will recommend appropriate adjustments, if warranted.

Cost of Living Allowance (COLA) - Union	2.0%
COLA - Non-Union	1.0%
Printing & Paper Products	2.0%
Food	2.2%
Hydro (General)	2.0%
Hydro (Signal Lights)	4.0%
ABCs Solid Waste Collection Rates	2.0%
Gas	0.0%
	\$1.01 per litre
Diesel	0.0%
	\$1.01 per litre
Natural Gas	0.0%
Water	9.0%
Chilled Water	2.0%
Postage	5.6%
Telephone	1.0%
Buidling/Trade Materials / Tools & Equipment	2.0%
Salt	7.0%
Medical Supplies	3.0%
Contracted Services	Per contract
General (Core CPI)	1.5%

Budget Overview

2010 Budget Committee Recommended Operating Budget

The 2010 Budget Committee Recommended Operating Budget of \$9.214 billion gross represents an increase of \$305 million or 3% over the 2009 Approved Budget (see Table 4 below). Salaries and benefits of \$4.378 billion constitute the largest expenditure type, approximating 48% of the gross expenditure budget, an increase of \$236 million or 5.7% over 2009. (By comparison salaries and benefits were 48% of the 2009 Budget and increased by 6% compared to 6% over 2008.)

The major funding sources are property tax revenues of \$3.534 billion, user fees of \$1.351 billion, and provincial transfers of \$1.849 billion. Property tax revenues increased by \$96.189 million comprised of assessment growth of \$33.150 million, a residential property tax increase of 2.9% or \$44.224 million and a non-residential increase of 0.967% or \$18.816 million.

Description of Category	2009 Approved Budget	2010 Rec'd Budget		Change from 2009 Approved Budget	
	\$	\$	% of Total	\$	%
Gross Expenditures:					
Salaries and Benefits*	4,142.0	4,378.2	47.5%	236.2	5.7%
Materials and Supplies	495.6	517.7	5.6%	22.1	4.5%
Equipment	44.9	45.5	0.5%	0.6	1.3%
Services & Rents	1,295.7	1,309.6	14.2%	13.9	1.1%
Contributions and Transfers	2,624.2	2,712.4	29.4%	88.2	3.4%
Other Expenditures (includes IDCs)	306.0	250.3	2.7%	(55.7)	(18.2%)
Total Gross Expenditures	8,908.4	9,213.7	100.0%	305.3	3.4%
Funded by:					
Provincial Transfers	1,860.2	1,849.3	20%	(10.9)	(0.6%)
Federal Transfers	198.8	194.6	2%	(4.2)	(2.1%)
User Fees, Permits & Donations	1,297.2	1,351.2	15%	54.0	4.2%
Reserves/Reserve Funds	540.0	429.8	5%	(110.2)	(20.4%)
Municipal Land Transfer Tax	165.3	175.6	2%	10.3	6.2%
Personal Vehicle Tax & Third Party Sign Tax	46.4	57.4	1%	11.0	23.7%
Other Revenues (includes IDRs)	1,362.2	1,621.3	18%	259.1	19.0%
Total Non Tax Revenues	5,470.1	5,679.2	62%	209.1	3.8%
Net Budget - Property Tax Revenues	3,438.3	3,534.5	38%	96.2	2.8%

**Include Salaries and Benefits for Capital Position*

TTC, Toronto Police Service, Parks, Forestry and Recreation and Toronto Employment and Social Services (TESS) account for \$287 million or 94% of the total expenditure increase of \$305 million. The continuing recession and the City's commitment to help people and businesses are quite evident in the fact that more than \$154 million or just over 50% of the increase is attributed TESS. Principal drivers of the increase in expenditures are as follows:

- *TTC Conventional Services* -- \$72.555 million gross or 5.6% increase primarily attributed to a cost of living adjustment (COLA) to salaries and benefits of \$31.100 million as a result of the latest collective bargaining agreement; fuel costs of \$3.375 million due to an increase in the price of diesel; \$13.947 million for the cost of wage rate progression and increased benefits costs; and vehicle and facilities maintenance of \$3.524 million
- *TTC Wheel Trans Services* -- \$7.264 million or 9.1% increase primarily attributed to COLA adjustment to salaries and benefits of \$1.600 million, new/enhanced services funding of \$4.2 million to maintain an unaccommodated rate of 2%; and vehicle

maintenance and inflationary adjustments of \$1.500 million.

- *Toronto Police Service* -- increase of \$34.291 million or 3.8% attributed to 2010 salary settlement impacts of \$27.178 million, annualized cost of 2009 staff changes of \$18.180 million, additional funding of \$5.651 million for benefits and \$4.817 million for 2010 staff replacement hires. The increases were offset by savings of \$17.073 million for anticipated resignations and retirements.
- *Parks, Forestry and Recreation* -- \$19.703 million or 5.8 % increase is primarily due to annualized costs of 2009 approved service changes and operating impact of capital projects \$5.197 million; COLA and progression pay of \$6.784 million; increased from 95,000 to 105,000 welcome policy subsidy of \$3.300 million increased to \$8.0 million based on expected take-up, and facility repairs and overtime cost of \$2.426 million.
- *Toronto Employment Social Services* -- \$153.650 million or 12.8% increase due mainly to an increase in the average monthly caseload for Ontario Works of \$40.135 million; an increase in demand and rate increase for special diet allowance of \$20.0 million; increase in staffing and administration costs of \$53.7 million; uncontrollable increases in provincial billing for ODSP programs of \$17.0 million based on the 4,500 increase in caseload and rate increase of 2%.

User Fees and Charges – Revenue Impact

User fees make up the fourth largest source of revenues for the City of Toronto. In total, user fee revenues add up to \$1.351 billion and fund 15% of the 2010 Operating Budget. In accordance with the City of Toronto Act, 2006 and other relevant legislations, the City and its Agencies, Boards and Commissions (ABCs) charge user fees to recover the cost of services, activities, and the use of City facilities when it is established that a direct benefit or advantage is conferred upon specific persons, businesses or groups of persons and not the citizens of Toronto as a whole. While changes to some user fees and charges are automatically implemented at the start of the year based on existing by-laws, a large number of changes to existing fees and charges as well as new fees are recommended for approval as part of the annual budget process.

Through the Planning Act, the Building Code, and other specific City by-laws, user fees and charges have been approved by City Council for automatic increase by the inflation/cost of living rate effective January 1, 2010. The change in these fees and charges will reflect the increase in the consumer price index (CPI) for the Toronto Census Metropolitan Area during the twelve-month period ended on October 1, 2009 in the immediately preceding year.

Table 5 summarizes by City Program and ABC, the incremental revenues from new fees and changes to existing fees. As indicated in the table, new user fees and changes to existing fees proposed in the 2010 Recommended Operating Budget will generate additional revenues of \$15.598 million. New user fees included in the 2010 Operating

Budget will generate \$8.610 million while changes to existing user fee will produce incremental revenues of \$6.988 million. A detailed list and analysis of existing user fees that were increased and new user fees introduced as part of the 2010 Operating Budget process is available on the City's website at:

www.toronto.ca/budget2010/briefingnotes_operating.htm.

Program	2010 Revenue Increase		
	Fee Rate Change	New User Fee	Total
Emergency Medical Services	8,073		8,073
Parks, Forestry & Recreation	1,308,542	1,411,879	2,720,421
City Planning	1,499,000	-	1,499,000
Fire Services	-	4,890,375	4,890,375
Municipal Licensing & Standards	-	194,857	194,857
Technical Services		400,000	400,000
Toronto Building Services	656,018	-	656,018
Transportation Services	2,163,337	1,331,870	3,495,207
Office of the Treasurer	297,115	375,000	672,115
City Clerk's Office	4,500	5,820	10,320
Theatres	10,622		10,622
Toronto Zoo	611,000		611,000
Police Service	430,000	-	430,000
Total	6,988,207	8,609,801	15,598,008

2010 Budget Committee Recommended Net Operating Budget

The 2010 Budget Committee Recommended Net Operating Budget (or the property tax levy) is \$3.534 billion, representing an increase of \$96.189 million or 2.8% over 2009. Notwithstanding that the recommended operating budget for City Operations reflect an increase of \$11.299 million or 0.6% over 2009, most City Programs achieved their reduction targets. This achievement is unlike the ABCs that collectively represent a net budget increase of \$78.185 million or 5% when compared to 2009. In effect, the increase in ABC operating budgets account for 81% of the 2010 property tax revenue increase. The net expenditure increase is primarily attributed to the following City Programs and ABCs:

- *TTC Conventional Services* -- \$35.750 million or 9.1% net increase;

- *TTC Wheel Trans Services* -- \$6.344 million or 8.3 % net;
- *Toronto Police Service* –\$33.290 million or 3.9% net increase; and,
- *Parks, Forestry and Recreation* -- \$11.762 million or 4.7% net increase.

2010 City Service Levels and Highlights

The City of Toronto provides more than 40 major services and programs that support Toronto’s position as the economic engine of Canada. On an ongoing basis, City operations are delivered in a way that ensures citizens receive good value for their property taxes, while balancing the need to be fiscally responsible with a desire to fund key services and maintain a high standard of living and quality of life for all residents. Despite the difficult economic circumstances, this budget responds to the full scope of Council Priorities, and places emphasis on services that address the recession, economic competitiveness, community safety, transit, and environmental initiatives. The following highlights (by themes) some of the many services offered and initiatives undertaken by the City.

Toronto Helps

- Provide property tax assistance programs to eligible seniors and persons with disabilities
- Provide flexible loans through the Toronto Rent Bank Loans
- Support more than 115,000 visits annually through the Homemakers and Nurses Services
- Deliver Employment services and training through the Metro Hall Employment Services, Y Café, and expansion of the YMCA Hospitality Training Program

Affordable Housing

- Deliver Housing Opportunities Toronto (HOT) – a 10-year housing strategy that provides leadership on policy for current and future affordable housing development across the City
- Preserve and upgrade the City’s housing stock by administering the Federal Residential Rehabilitation Assistance Program and the Housing Adaptations for Seniors’ Independence Program
- Facilitate the creation of more than 1,000 units of affordable rental and ownership housing per year.

Economic Competitiveness

- Deliver Prosperity Agenda to position Toronto as a leading global City of the 21st century with culture of partnerships
- Coordinate new partnerships through Toronto Office of Partnerships, accessing over \$100 million in partnered programming
- Provide business taxes relief - reducing business taxes by \$257 million since 2006
- Froze development charges for two years to support the development industry
- Provide advisory services that support the formation and growth of small businesses, including professional and administrative support to BIAs
- Support approximately 25 key sector development projects and strategic program support for green industry
- Issue over 45,000 business licenses and conduct over 50,000 inspections for property standard, noise, and business license enforcement
- Process more than 2,500 community planning and Committee of Adjustment applications
- Issue more than 30,000 building permits with a construction value of more than \$5 billion
- Provide one-window service to the development industry for review of applications

Community Safety

- Deliver 24-hour emergency medical response from 43 ambulance stations located across the City of Toronto
- Provide 1,200 hours of continuing medical education training to paramedics and trauma life support training to approximately 500 people
- Deliver Police services in partnership with the communities with an average of 5,546 Officers and 30 School Resource Officers, and maintain security for 263 Provincial courtrooms
- 2,790 fire fighters respond to 142,000 calls, including 8,382 fires, 79,747 medical emergencies, and 2,322 rescue operations

Support to Residents

- Provide 24/7 on-line and telephone access to information in 180 languages on City services
- 340,556 calls answered in first 5 months of operation of 311; 75% of queries resolved on first contact
- 940 child care centres and 21 home child care agencies provide 56,900 licensed childcare spaces
- Child care fee subsidy provides for the enrolment of 24,000 children in a licensed space
- Wage subsidy entitlement and 29 programs to support children with special needs

- Provide emergency shelter services through 9 City Shelters and 48 community facilities
- Street to Homes program placed 2,800 individuals in permanent housing since 2005
- Fund 93,000 units of social housing
- Operate and deliver services to 10 long-term care homes, serving 2,566 residents
- Provide 115,000 visits annually through the Homemakers and Nurses services to support the Aging at Home strategy
- Meals on Wheels program, in collaboration with community partners, provides over 2,100 meals per week
- Toronto Employment Social Services (TESS) provides employment and financial assistance to more than 240,000 people in Toronto, with an estimated average monthly caseload of 105,000 for 2010
- Consultation and support provided through TESS employment resource centres to approximately 165,000 client visits

Environmental Leadership and the Environment

- Provide, through Live Green Toronto, one stop resource for information for living green
- Home Energy Assistance Toronto offers help to homeowners for energy efficiency retrofit.
- Waste diversion target set at 70% by 2012
- Advance the air pollution reduction target by gradually replacing City's fleet with more green vehicles
- Protect and manage 9 watersheds and land resources on 38,000 acres
- Implement environmental initiatives such as promotion of sustainable modes of transportation, salt management plan, and tree planting along the City's right of ways
- Consult with building owners and other stakeholders and design renewal strategies for the Tower Renewal Project

Transit

- Provide 8.3 million service hours, at current service standard of 6:00 am to 1:00 am Monday to Friday, to meet ridership of 462 million riders
- Implement Health and Safety Initiatives, and Work Safe-Home Safe programs to reduce the number of lost-time injuries by as much as 60%

Community Health & Wellness

- Provide more than 60,000 recreation programs City-wide to 8 million participants
- After-school recreation programs expanded and fees reduced
- 38,000 hours of ice time delivered by 8 Arena Boards
- Project management support to Neighbourhood Action Teams in 13 priority neighbourhoods

- Conduct 45 heritage walks around the City, hosting 4,000 participants
- Provide state of the art facilities to “not for profit” performing arts companies, local communities at an affordable cost
- Provide youth employment and engagement support opportunities to 3,500 youth
- Co-ordinates project management for TCHC community revitalization initiatives
- Establish City-building initiatives through partnership development with businesses, foundations and community groups
- 99 branch libraries provide access to wireless internet, word processing and other software applications
- Manage the circulation of approximately 30 million items, provide 24/7 virtual library services, and respond to over 7.5 million information requests annually
- Provide Library materials in 40 languages, and free-of-charge library services and programs for newcomers, such as ESL, and small business resources and programs.
- Provide preventive services in public health clinics to children and senior, provide basic dental treatment to more than 300,000 clients in targeted groups, screen more than 200,000 children in 636 public schools, and provide oral health education to 24,000 people.
- Deliver nutrition educational assessment and counselling workshops in priority neighbourhoods to over 4,000 individuals
- Support 212 school health committees and provide health promotion services to 147 workplaces

Public Spaces

- Maintain 1,504 parks, 136 community centres and 8,045 hectares of green space
- Maintain over 5,600 kilometres of roads, 8,000 kilometres of sidewalks, 600 bridges, and 100 kilometres of bike lanes
- Manage 2,500 off-street parking spaces across the City, and 13,780 spaces at the TTC park-and-ride facilities.
- Maintain the public realm, including the roll-out of 602 pieces of street furniture
- Manage 97 city-owned heritage and cultural buildings at 60 heritage sites, including operation of 10 historic museum sites

Governance & Accountability

- Provide response to 1,057 complaints during 2009, and conducted 50 information sessions with stakeholders in the Office of Ombudsman
- Provide advice and outreach to members of Council and local and adjudicative boards, and opinions as requested by Council by the Office of the Integrity Commissioner
- Promotes the transparency and integrity of City government by maintaining an online public registry of lobbyists and by regulating their conduct by the Office of the Lobbyist Registrar
- Provide improvements to the election processes by addressing quality of the Voters’ List, enhanced accessibility, broadening the election outreach to improve

- voters participation, and developing new tools and technology for election information systems
- Manage the Fraud and Waste Hotline Program, including the investigation of complaints, as well as the referral of certain concerns and issues to divisional management
 - Enhance employment equity by expanding mentorship programs, diversity training and outreach initiatives
 - Implement the civic engagement strategy to provide co-ordination and advice within the organization in developing participatory models of engagement, outreach and inclusion activities.
 - Provide Legal support to the City's Programs and ABCs in areas of municipal law, employment law and other legal issues.
 - Protect the City's physical and financial assets through improved insurance and risk management strategies
 - Implement a comprehensive financial planning and reporting system to generate savings across the City by eliminating duplicate systems and reducing the amount of manual and replicated work in preparing and approving budgets, monitor how well financial resources are managed, and improve the budget process overall.
 - Leverage information and technology to support current business practices and shape service delivery strategies toward the City's goal of delivering effective and efficient services

Investment in New and Enhanced Services

Funding for New and Enhanced Services included in the 2010 Budget Committee Recommended Operating Budget total \$56.255 million gross and \$2.606 million net. This investment is consistent with directions provided by the City Manager to include *no new services* except for those that were partnership/non-tax revenue funded, or were absolutely necessary to achieve Council's highest priorities. The 2010 Budget Committee Recommended New and Enhanced Services have been categorized into four broad areas as summarized in Table 6 below:

- i. New/Enhanced Services Funded from City's Own Sources* which total \$16.923 million gross and \$10.741 million net. The net expenditure requirement is mainly for Toronto Transit Commission (\$9.280 million) and Information and Technology (\$1.540 million).
- ii. New/Enhanced Services Funded by Grants and Transfers* totalling \$18.894 million gross and \$0 net.
- iii. New User Fees* initiatives which will generate revenues totalling \$10.064 million. After offsetting gross expenditures of \$0.834 million, these fees will generate net revenues of \$9.230 million in 2010.
- iv. Capital Project Delivery* – total \$14.976 million gross will be fully funded from the 2010 – 2019 Approved Capital Budget and Plan. Funds are provided for capital positions to deliver approved capital projects.

Table 6			
2010 Budget Committee Recommended Operating Budget			
New and Enhanced Services by Category			
\$000s			
	Gross Expenditure	Revenue	Net Expenditure
Services Funded from City Own Source Revenues	21,552.3	10,503.0	11,049.3
Services Funded by Grants and Transfers	18,893.7	18,893.7	0.0
New User Fees	833.6	9,276.5	(9,229.9)
Capital Project Delivery	14,975.6	14,975.6	0.0
Total:	56,255.2	53,648.8	2,606.4

Funding of \$9.280 million gross and net is allocated to Recommended New and Enhanced services for the Toronto Transit Commission. This funding will be used for additional route supervisors, Pass Vending Machine maintenance, Attendance Management and Health and Safety initiatives, IT staff and improving subway cleanliness.

New and enhanced services funding of \$5.523 million gross and \$1.540 million net is recommended for Information & Technology for staff to deliver capital projects in the 2010 - 2019 Approved Capital Budget and Plan; the Risk Management Information System Upgrade and the Accounts Payable Process Improvements; and the cost of SAP license fees for accounting, budgeting, payroll, Human Resources, work order management, purchasing and inventory management purposes for the City.

Services funded by Grants and Transfers totalling \$18.904 million is primarily driven by one-time federal government stimulus funds to support labour market programs for people who are unemployed or low skilled.

2010 Recommended Approved Positions

The 2010 Recommended Operating Budget includes a total increase of 671 positions, offset by deletion of 423 positions, for a net increase of 248 positions. The deletion of 423 positions will result in a gross cost reduction of \$26.740 million and property tax savings of \$15.096 million.

As summarized in Table 7 below, 352 permanent and 71 temporary positions have been recommended for deletion as a result of the Service Review process undertaken as part of the City Manager's Four-Point Plan to reduce the 2010 budget shortfall. The decrease of 237 positions in City Operations and 186 in Agencies, Boards and Commissions are primarily attributable to TTC (142 positions), Parks Forestry and Recreation (44 positions), Toronto Public Health (36 positions), Office of the Treasurer (28 positions), Transportation Services (25 positions), Municipal Licensing and Standards (21 positions), and Long Term Care Homes and Services (20 positions). The positions recommended for deletion comprised of 183 vacant positions and 240 filled positions, of which 335 are unionized positions and 88 are non-union positions

The net increase of 248 positions highlighted in Table 7 is primarily attributed to Toronto Employment and Social Services in order to address the increased welfare caseload resulting from the current recession; and Agencies Boards and Commissions collectively account for a net increase of 72 positions.

City Program/ABC	Base			New			Base and New		
	Perm	Temp	Total	Perm	Temp	Total	Perm	Temp	Total
Position Deletions:									
Citizen Centred Services "A"	(82.0)	(21.0)	(103.0)			-	(82.0)	(21.0)	(103.0)
Citizen Centred Services "B"	(52.0)	(9.8)	(61.8)			-	(52.0)	(9.8)	(61.8)
Internal Services	(51.5)	(11.0)	(62.5)			-	(51.5)	(11.0)	(62.5)
Other City Programs	(10.0)	-	(10.0)			-	(10.0)	-	(10.0)
Agencies Boards & Commissions	(156.5)	(29.1)	(185.6)			-	(156.5)	(29.1)	(185.6)
Total Deletions	(352.0)	(70.9)	(422.9)	-	-	-	(352.0)	(70.9)	(422.9)
Position Additions:									
Toronto Employment & Social Services - OW Caseload Increase		195.0	195.0		21.0	21.0	-	216.0	216.0
Parks Forestry & Recreation-Service Changes	19.5	35.3	54.8	3.4	12.6	16.0	22.9	47.9	70.8
City Clerk's Office - 2010 Election	7.0	46.1	53.1			-	7.0	46.1	53.1
Theatres -Re-opening of Sony Centre	15.8	29.7	45.5			-	15.8	29.7	45.5
TTC Conventional - maintenance of buses & street cars	46.0		46.0	69.0		69.0	115.0	-	115.0
TTC - Wheel Transit Service Demand	68.0		68.0			-	68.0	-	68.0
Other	28.0	4.3	32.3	53.0	18.0	71.0	81.0	22.3	103.3
Total - Additions	184.3	310.4	494.7	125.4	51.6	177.0	309.7	362.0	671.7
Total - Levy Operations	(167.7)	239.5	71.8	125.4	51.6	177.0	(42.3)	291.1	248.8

Table 8 below shows that 46,928 operating positions, comprised of 42,449 permanent and 4,479 temporary positions, are required to deliver the 2010 operating program. Compared to 2009, this represents an increase of 248 positions or 1%. For a more detailed discussion of the 2010 recommended position changes see the briefing note on the City webpage at: www.toronto.ca/budget2010/pdf/bn_2010_staff_rec_approved_positions.pdf.

	City Operations			ABCs			Total		
	Permanent	Temporary	Total	Permanent	Temporary	Total	Permanent	Temporary	Total
2009 Approved Positions	18,983	3,488	22,472	23,509	699	24,208	42,492	4,188	46,680
2010 Recommended Change:									
Base Increase (decrease)	(154)	238	84	(14)	1	(13)	(168)	240	72
New / Enhanced increase (decrease)	53	40	93	72	12	84	125	52	177
Total 2010 Recommended Positions	18,883	3,766	22,649	23,567	713	24,280	42,450	4,479	46,928
Change from 2009:									
Positions	(101)	278	177	58	13	72	(42)	291	249
Percentage	-1%	8%	1%	0%	2%	0%	0%	7%	1%

Sinking Fund Levies for 2010

When the City issues debentures, the *City of Toronto Act 2006* requires that the principal repayment must be amortized over the term-to-maturity of the debenture or an annual amount be contributed to a sinking fund. Sinking funds are required by provincial legislation and established to ensure that adequate financing is available at a debenture's maturity.

Section 255(4) of the *City of Toronto Act 2006* states that:

"If in any year an amount is or will be required by law to be raised for a sinking fund or retirement fund of the City, the city treasurer shall prepare for city council, before the budget for the year is adopted, a statement of the amount."

Amounts required by by-law (as amended by the Ontario Municipal Board orders to reduce levies) to be raised in 2010 by Council for deposit in the City of Toronto Sinking Fund are provided for as follows:

- i.* City of Toronto \$147,506,495.33
- ii.* Toronto District School Board (TDSB) \$2,293,802.99

This requirement is addressed in Recommendation 5 of this report.

The sinking fund deposit for the City's debenture requirements forms part of the City's 2010 operating budget and is included in Capital & Corporate Financing, "Debt Charges".

At its meeting on February 22, 2010, Council authorized the sale of the Toronto Hydro Promissory Note (with a book value of \$490 million) and approved the deposit of the net sale proceeds into the Strategic Infrastructure Partnership Reserve Fund and a withdrawal of \$600 million from the reserve fund to retire and pay down various debenture bylaws.

The originally forecasted 2010 sinking fund deposit of \$240,544,429.33, before the application of the \$600 million, has been reduced by \$93,037,934.00 to the recommended amount of \$147,506,495.33. This reduction in debt charges was included in the 2010 Operating Budget in Non-Program Capital Financing and has been approved by the Executive Committee pending receipt of funds from the Promissory Note and certain related conditions.

It is anticipated that the placement of the Promissory Note and all related recommendations approved by Council pertaining to the reduction of the sinking fund deposits of \$93 million as included in the 2010 Operating Budget will be satisfied by April 7, 2010.

While Council is required to levy the sinking fund deposit on behalf of the Toronto District School Board, this amount is not included in the City's operating budget as it is fully recovered from the TDSB.

2011 Outlook

The City continues to have a structural funding shortfall which, for the most part, has been the result of an imbalance between the cost of providing provincially downloaded services and the funding provided by the Province for these services. Notwithstanding the significant progress that has been made to mitigate the annual operating imbalance, a complete solution to the structural shortfall has been impeded by the size of the accumulated structural shortfall and the recessionary impacts.

In the past several years, the City has embarked on a number of sustainable expenditure reduction initiatives, and recurring revenue increases to reduce the structural funding shortfall. Key strategies and initiatives include the following:

- Cost containment and control initiatives which have been ongoing since 2003
- Continuous improvement which has become an integral element of the operating budget process and the City management framework
- Service reviews and rationalization of service delivery approaches in order to identify efficiencies
- Negotiating responsible wage increases and containing sick pay costs
- Introducing new and sustainable taxes such as the municipal land transfer tax, the provincial vehicle tax
- Introducing of new user fees and increasing existing user fees in order to recover full cost, or a greater portion of the cost of providing services that benefit individuals or groups of individuals
- Restructuring city debt in order to reduce the debt service cost burden on the annual operating budget

- Increased capital funding from other orders of government which has reduced reliance on debt and concomitantly, debt service costs
- Successfully negotiating the upload of provincial cost-shared programs with the Province of Ontario
- Program reviews which evaluate the continuing relevance of City Programs, and assess whether they continue to achieve intended outcomes in an efficient and effective manner

The above initiatives have resulted in permanent, sustainable savings that have contributed significantly toward reducing the funding shortfall which, as is evident below, decreased considerably in 2011.

Table 9 summarizes the 2011 Operating Outlook and indicates that the beginning pressure will approximate \$503 million, the lowest since 2004. The 2011 Outlook pressure is mainly driven by the use of Prior Year Surplus of \$276 million and reserve draws of \$67 million to balance the 2010 Operating Budget. These two strategies total \$343 million and represent 68% of the 2011 Outlook pressure. Moreover, the unsustainable 2010 budget strategies are \$108 million less than the \$451 million utilized in the 2009 Operating Budget.

Table 9	
2011 Outlook	
	\$Millions
2010 Unsustainable Strategies:	
Prior Year Surplus Applied to TTC Operations in the Absence of Toronto-Ontario Partnership Agreement on Transit Funding	276
Reserve Draw s	67
Total 2010 Unsustainable Balancing Strategies	343
2011 Expenditure Increase:	
Cost of Living Allow ance and Progression Pay	107
Inflation - Material and Supplies	25
Impact of Capital	11
Capital Financing - CFC Increase and Debt Service	46
Hydro Note Monetization - Interest	30
Annualization and Other Base and Revenue Change	57
	276
	619
2011 Revenue Increase:	
Provincial Uploads (ODSP & OW)	(84)
Personal Vehicle and Land Transfer Taxes	(16)
Other Revenues	(16)
	(116)
2011 Outlook Pressure	503
















The 2011 Expenditure pressure totals \$276 million (see Table 9), 24% less than the \$370 million in 2010. Cost of living allowances and performance pay associated with existing collective agreements comprise the major driver of the expenditure increase. Totalling \$107 million, these payroll costs represent 39% of the expenditure increases. Other significant drivers include annualized costs, and other base changes totalling \$57 million and capital financing cost of \$46 million due to a policy decision to increase Capital From Current funding by 10% annually, and increase in debt service costs.

Sustainable revenue increases for 2011 are estimated at \$116 million. This is primarily due to the continuing, phased upload of City costs for provincial cost-shared services. It is noted that, had the City received sustainable transit funding of \$256 or 50% (of the TTC net budget) from the Province in 2010, the 2011 Outlook pressure would have been reduced to \$247 million. Furthermore, given that \$76 million of the 2009 Operating surplus has been transferred to the Property Tax Stabilization Reserve to fund the 2011 Operating Budget, the Outlook pressure will be reduced to \$171 million.

Key to balancing the 2011 Operating Budget will be: securing provincial funding for 50% of transit operations and the continuation of the planned provincial upload of social services costs. With respect to internal strategies, the City will continue to exercise fiscal prudence and to control costs in order to realize a moderate surplus; to institute a tax increase that approximates the rate of inflation; and to continue with its service review process to find savings in 2011.

The Long-Term Fiscal Plan Update

The City has made much progress since introducing the comprehensive Long-Term Fiscal Plan (LTFP) in 2005. City Council has taken many steps to implement the recommendations of the Plan, and has been successful in constraining costs while working with other orders of government to improve the funding of capital programs such as transit, and provincial cost-shared programs. The LTFP Scorecard summarizes the progress made on the eight financial issues identified in the 2005 Plan (see Table 10):

Table 10 LTFP Scorecard Progress Made on City's Financial Issues		
Issues as identified in the LTFP 2005	Current Status (2010)	Score
Expenditures: <ul style="list-style-type: none"> City has a higher cost structure than other municipalities in GTA Demands for growth not adequately funded Variability in certain program expenditures from year to year, e.g. economic downturns 	Costs "restrained"	
	Expenditures growing faster than revenue	
	Social Services & Court Security upload. Restoration of full 50% funding on Ontario Works administration costs	
Revenues: <ul style="list-style-type: none"> Business taxes not competitive Inadequate revenue sources to fund responsibilities Improper funding of Provincial cost-shared programs 	Improving business competitiveness	
	Revenues diversified	
	User Fees enhanced	
	Provincial 50% TTC Operating Funding (Agreement with Province by Dec 2010)	
	Share of Sales Tax	
Assets & Liabilities: <ul style="list-style-type: none"> Investment in ageing infrastructure lagging Employee benefits and other liabilities not adequately funded 	<ul style="list-style-type: none"> 10 year capital plan More than 60% to be spent on State of Good Repair 	
	Debt increase mitigated	
	Sick Pay liability partially capped, but some liabilities still growing	
Legend:		
 Improving or compares favourably	 Little or no progress	
 Stabilizing or work in progress	 Deteriorating	

Structural Funding Shortfall

As the 2005 LTFP indicated, the City has a structural funding shortfall which will continue without a significant change in funding responsibilities. The structural funding shortfall comprises two components: a cumulative component due to downloaded programs and an annual component due to annual operating shortfalls. Simply put, the City is funding certain programs downloaded by the Province, including income redistributive programs (Ontario Works and Social Housing) that are currently inappropriately funded by property taxes, and programs for which other large mature cities do not fund or have appropriate source of funding (e.g. transit operating and court security).

As well, there are annual cost pressures from population growth, service enhancements, capital repair of ageing infrastructure and growing liabilities. However, these cost pressures are not adequately offset by revenue growth because the City's main revenue stream – property tax – does not grow with the economy, and is further reduced by business tax relief in order to enhance jobs. These have largely contributed to an annual funding shortfall and the use of one-time funding in prior years, which has built up over time in cumulative pressures, as has been seen in the 2010 Operating Budget. On

average, the net annual shortfall ranges between \$75 million and \$100 million. Despite Council’s efforts to constrain salaries and benefits and restructure debt, and despite the important but largely pending phase out of social assistance and court security costs by the Province, the shortfalls continue. These have been offset in successive operating budgets using one time revenues such as ad hoc provincial transit operating funding and reserve draws, however the complete permanent funding solution has not yet been achieved.

The Road to Fiscal Sustainability – Vision 2020

The City can be fiscally sustainable only if and when the structural funding shortfall can be eliminated. In the next ten years, it is important to take a number of key actions:

Expenditures:

- Continued actions on efficiencies, salary and benefit restraint
- Rationalization of selected services

Assets and Liabilities:

- Maximize corporate asset values and pay down debt, continue to increase pay-as-you-go capital financing and further actions to reduce unfunded liabilities

Revenues:

- Continued actions to grow tax base: improved business competitiveness, population growth and through land use intensification as laid out in the Official Plan
- Multi-year strategies for User Fees
- Seeking permanent sustainable partnership funding from other orders of government:
 - 50 per cent Transit Operating Funding
 - National Transit Strategy (capital)
 - Upload of Social Housing costs and a National Housing Strategy
 - Share of sales tax revenues (equivalent to 1 cent of 13 cent HST)

The following chart shows the current situation for the core components of the City’s finances and what the vision can and should be for 2010.

	Current (2010)	Vision (2020)
Expenditures	<ul style="list-style-type: none"> • Salary costs grow at faster than inflation (arbitration) • Non-salary costs grow at above inflation • Limited service expansion 	<ul style="list-style-type: none"> • Salary & non-salary costs grow at inflation • Service expansion as new revenues allow
Assets & liabilities	<ul style="list-style-type: none"> • Rebuilding asset base • Unfunded liabilities increasing 	<ul style="list-style-type: none"> • Assets rationalized and stabilized • Unfunded liabilities minimized
Property Tax	<ul style="list-style-type: none"> • Over reliance on property tax base • Competitive Business tax being phased in 	<ul style="list-style-type: none"> • Business tax competitive • Access to full tax base
User Fees	<ul style="list-style-type: none"> • Grow at inflation • Partial full cost-recovery • Some exemptions 	<ul style="list-style-type: none"> • Grow at inflation • Enhanced use • Appropriate exemptions

	Current (2010)	Vision (2020)
Funding from other orders of government	<ul style="list-style-type: none"> • Unpredictable and ad hoc (transit) • Partial responsibility for funding social services • Some cost-shared programs not fully funded at 50% 	<ul style="list-style-type: none"> • Stable and permanent partnership funding • 50% Transit operating funding • Provincial social programs uploaded • National Housing and Transit Strategies
Revenues that grow with economy	<ul style="list-style-type: none"> • Limited (MLTT/ PVT only 2% of budget) • Gas tax 	<ul style="list-style-type: none"> • Share of sales tax revenues with other orders of government • Gas tax

The Case for Permanent Sustainable Partnership Funding

1. Transit Operating Funding for the TTC:

Effective transit contributes to Provincial objectives by offsetting demands for Provincial highways, GO Transit, and driving while promoting economic growth and clean air. The full cost of transit should not be borne on a local tax base alone. Per capita transit use and the resulting operating cost burdens vary significantly between municipalities, especially when transit serves riders and businesses from outside local tax base. The large U.S. cities that Toronto competes with recognize this. As the chart below shows, the 2007 U.S. National Transit Database confirms that 51 per cent of transit funding for large cities in the U.S. is funded by Federal and State funds while 49 per cent is funded by local municipalities, net of fare box revenues. Since 1998 when the long standing practice of 50% provincial funding of transit ended, Toronto has relied on ad hoc annual transit funding from the Province which also ended in 2009.

Government Subsidies for Transit Systems *	Federal & State Funds	Local Funds
U.S. Transit Systems serving population > 2 million ⁽¹⁾	51%	49%
Toronto TTC ⁽²⁾	0%	100%

(1) 2007 U.S. National Transit Database

(2) 2008 Annual Report

* Sources of operating revenues excluding fare & other revenues

2. Social Housing Funding

Funding responsibilities for Social Housing were transferred to the City in 1998. Social Housing is one of several income support programs. The Province has re-established the principle through the Social Services upload that income support programs should not be funded from the property tax base. As well, there is a competitive disadvantage to the City funding Social Housing: Ontario has the highest

property tax per capita and is the only jurisdiction in Canada to fund Social Housing from property taxes. Therefore, it is within the City’s long-term fiscal interest to have the Province take back the funding responsibility for Social Housing.

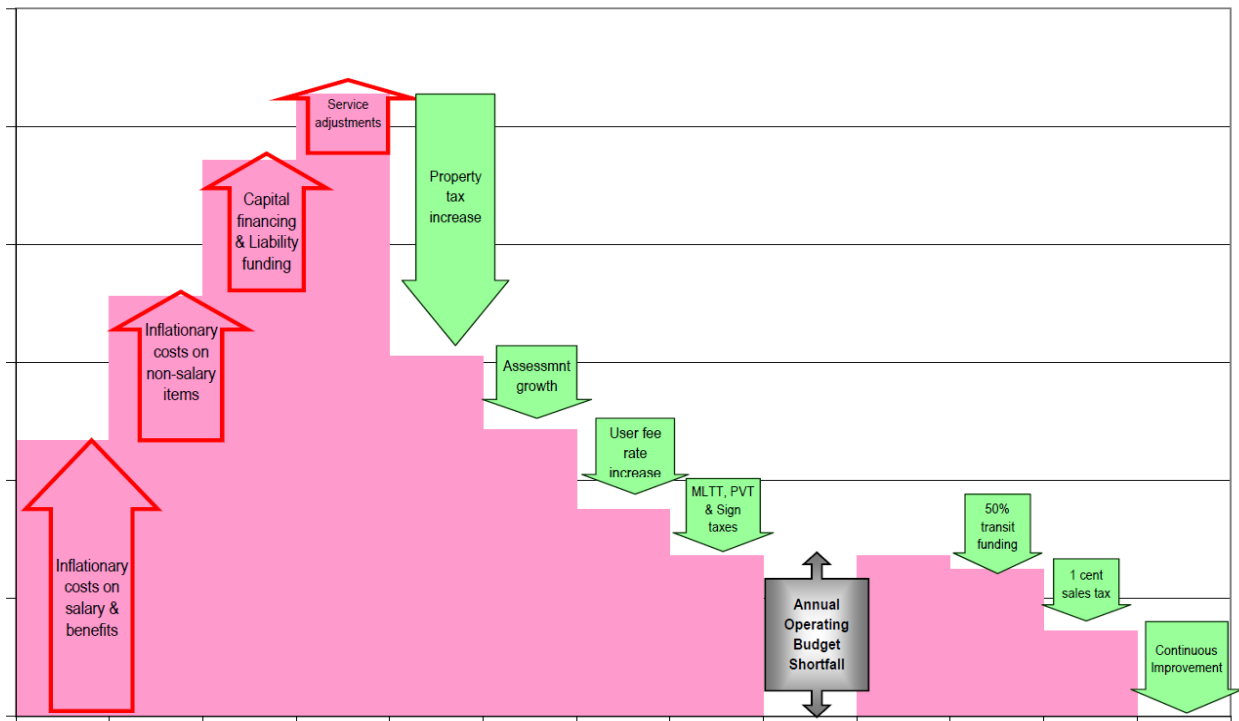
3. Sharing of the Sales Tax

Unlike sales or income taxes, the property tax base does not grow as the economy grows, which constrains the City’s funding based compared with other orders of government. Toronto’s economic health anchors the entire region and the Province benefits through the City’s tax revenue. Toronto competes with large U.S. cities that have access to sales and income taxes and risks relative decline without comparable revenue base. The participation in economic/tax growth would motivate greater focus on the City’s broad economic development role by other orders of government. This is a financing tool that all cities in Canada should have to eliminate structural shortfalls and ensure sustainable long term financing.

Eliminating the Annual Operating Budget Shortfall

The following is a conceptual representation of how the annual operating funding shortfall comes about, and how it can be eliminated through the actions identified above, namely annual growth in transit operating funding (50%), upload of social housing and the share of sales tax, as well as savings from continuous improvement and cost restraint.

\$Millions



Scenarios to Eliminate Budget Pressures

Staff have undertaken detailed modelling to examine the City's financial trends and the impacts of the solutions that have been identified in this plan. There are three scenarios:

1. Status Quo:

- Inflationary increases on expenditures and user fees (excluding TTC in 2011)
- Incorporates impacts from approved capital budget and plan plus modest funding of liabilities

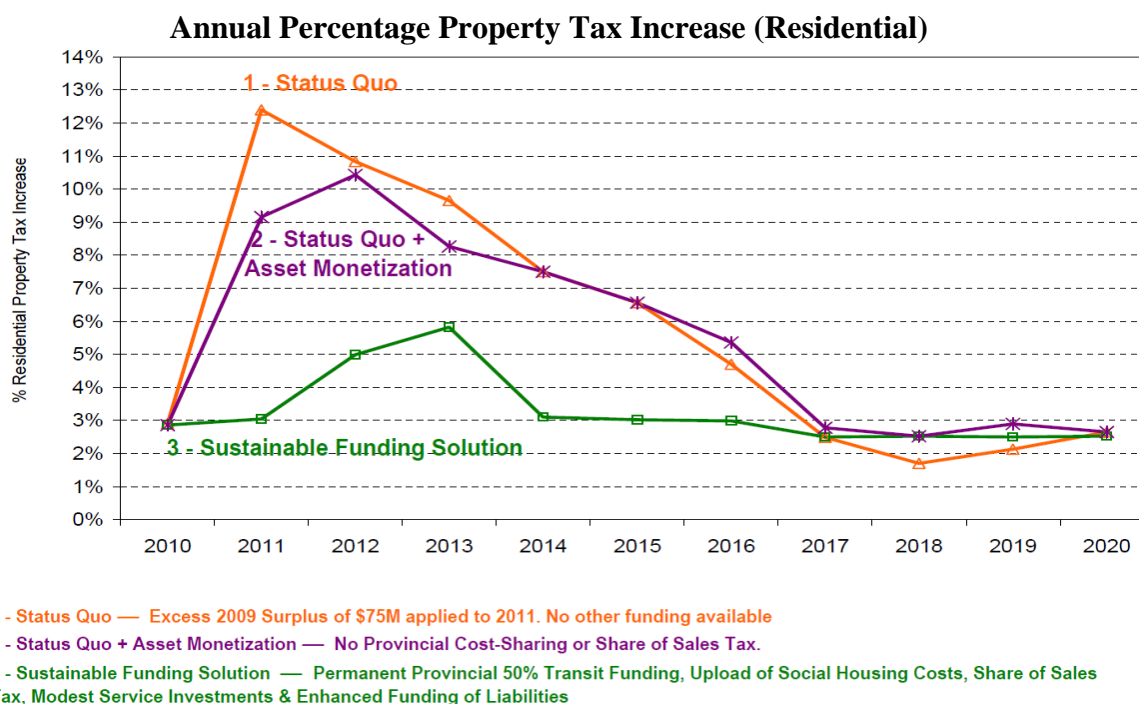
2. Status Quo plus Asset Monetization:

- Asset monetization beginning 2012, proceeds (using an example of \$700 million) used to pay down debt to reduce debt service costs in the operating budget. This was done with the Toronto Hydro promissory note which will reduce the City's net debt by \$600 million with associated operating budget reductions over several years.

3. Sustainable Funding Solution: Status Quo plus the following:

- Permanent Provincial 50% TTC operating funding beginning 2011
- Phase-in of full funding of Social Housing (2012 – 2014)
- Phase-in of 1¢ of Sales Tax revenue (2015 - 2017)

In all scenarios, property tax is used to balance the remaining shortfalls. Under Council's Enhancing Toronto's Business Climate program which provides tax relief to businesses, each 1% increase in property taxes raises about \$22 million. Business tax rate increases, per Council policy, are one-third of those on residential properties until 2017 when the City's competitiveness strategy is projected to be fully implemented.



The chart above shows the forecasted tax rate increases under the three scenarios to illustrate at a high level the options facing the City.

1. Status Quo

- High tax rate increases in early years show impacts of balancing the budget while phasing out one time revenues, e.g. operating surplus
- Lower but substantial increase in future years as the tax base is raised; debt charges start to fall and upload of social assistance and court security phase in.

2. Asset Monetization –

- Even if the City was able to free up hundreds of millions of dollars in asset sales, the operating shortfall is not solved. For example, a reduction of debt charges of \$70 million in 2011 would reduce debt charges for, say 5 years which would cost \$350 million. This buys time for other funding adjustments to occur but does not create a permanent revenue solution. Once the funding runs out, the pressure reverts to the property tax base. Staff will continue to investigate monetization options and will report back to Council in May or June of this year.

3. Sustainable Funding Solution

- The combined permanent sustainable funding would enable the City to stand on sound financial footing, have enough resources to have modest service investments and enhanced funding of liabilities, while keeping property tax increases affordable.

Meeting the Plan

If the City does not get sustainable permanent funding from the other orders of government as described above, it will be forced to monetize more assets such as City owned companies, and make significant service adjustments. Asset monetization is a one-time solution and does not address the structural funding shortfall, as it simply provides bridge financing to allow time for long term financial strategies to be implemented. The alternate solution – significant service adjustments - will no doubt impact the liveability and opportunity for all Torontonians.

In conclusion, staff will continue to work towards balancing the 2011 budget through further cost and service efficiencies. In addition, predictable and sustainable, 50% TTC operating subsidies will be pursued during 2010. For the longer term, staff will continue to address the remaining items in the long term fiscal plan.

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Deputy City Manager and
Chief Financial Officer

Joseph P. Pennachetti
City Manager

ATTACHMENTS

Appendix 1 – 2010 Budget Committee Recommended Operating Budget – Summary by Program

Appendix 2 – 2010 Budget Committee Recommended Operating Positions

Appendix 3 – Program Recommendations

Appendix 4 – City Clerk’s Office Reports, Transmittals and Communications

CITY OF TORONTO								
2010 BUDGET COMMITTEE RECOMMENDED OPERATING BUDGET								
NET EXPENDITURE								
(In \$000's)	2009 Approved Budget	2010 Recommended Base Budget	Change from 2009 Approved Budget		2010 Recommended New / Enh. Budget	2010 Recommended Budget	Change from 2009 Approved Budget	
			\$ Incr / (Dcr)	%			\$ Incr / (Dcr)	%
Citizen Centred Services "A"								
Affordable Housing Office	1,305.1	1,334.4	29.3	2.2%	0.0	1,334.4	29.3	2.2%
Children's Services	67,775.3	70,776.0	3,000.7	4.4%	0.0	70,776.0	3,000.7	4.4%
Court Services	(11,924.4)	(10,082.0)	1,842.4	15.5%	0.0	(10,082.0)	1,842.4	15.5%
Economic Development & Culture	27,347.2	26,406.4	(940.8)	(3.4%)	0.0	26,406.4	(940.8)	(3.4%)
Emergency Medical Services	64,297.1	65,647.4	1,350.3	2.1%	0.0	65,647.4	1,350.3	2.1%
Long Term Care Homes & Services	44,684.3	46,773.3	2,089.0	4.7%	0.0	46,773.3	2,089.0	4.7%
Parks, Forestry & Recreation	248,861.6	262,036.6	13,175.0	5.3%	(1,413.2)	260,623.4	11,761.8	4.7%
Shelter, Support & Housing Administration	266,639.8	258,679.9	(7,959.9)	(3.0%)	0.0	258,679.9	(7,959.9)	(3.0%)
Social Development, Finance & Administration	13,623.6	13,272.0	(351.6)	(2.6%)	0.0	13,272.0	(351.6)	(2.6%)
Toronto Employment & Social Services	319,278.2	324,595.6	5,317.4	1.7%	0.0	324,595.6	5,317.4	1.7%
3-1-1 Customer Service Strategy	7,501.0	9,271.9	1,770.9	23.6%	0.0	9,271.9	1,770.9	23.6%
Sub-Total Citizen Centred Services "A"	1,049,388.8	1,068,711.5	19,322.7	1.8%	(1,413.2)	1,067,298.3	17,909.5	1.7%
Citizen Centred Services "B"								
City Planning	13,932.2	13,222.3	(709.9)	(5.1%)	0.0	13,222.3	(709.9)	(5.1%)
Fire Services	359,254.0	363,885.6	4,631.6	1.3%	(4,744.8)	359,140.8	(113.2)	(0.0%)
Municipal Licensing & Standards	19,312.0	19,421.0	109.0	0.6%	(195.0)	19,226.0	(86.0)	(0.4%)
Policy, Planning, Finance and Administration	12,646.8	12,014.5	(632.3)	(5.0%)	0.0	12,014.5	(632.3)	(5.0%)
Technical Services	13,126.6	12,915.7	(210.9)	(1.6%)	(708.7)	12,207.0	(919.6)	(7.0%)
Toronto Building	(10,800.6)	(10,800.6)	0.0	0.0%	0.0	(10,800.6)	0.0	0.0%
Toronto Environment Office	3,549.2	3,371.7	(177.5)	(5.0%)	0.0	3,371.7	(177.5)	(5.0%)
Transportation Services	185,588.0	182,115.9	(3,472.1)	(1.9%)	(1,301.2)	180,814.7	(4,773.3)	(2.6%)
Waterfront Secretariat	993.8	957.1	(36.7)	(3.7%)	0.0	957.1	(36.7)	(3.7%)
Sub-Total Citizen Centred Services "B"	597,602.0	597,103.2	(498.8)	(0.1%)	(6,949.7)	590,153.5	(7,448.5)	(1.2%)
Internal Services								
Office of the Chief Financial Officer	8,949.8	8,928.0	(21.8)	(0.2%)	0.0	8,928.0	(21.8)	(0.2%)
Office of the Treasurer	30,464.1	29,857.3	(606.8)	(2.0%)	(375.0)	29,482.3	(981.8)	(3.2%)
Facilities & Real Estate	54,923.9	54,261.8	(662.1)	(1.2%)	0.0	54,261.8	(662.1)	(1.2%)
Fleet Services	332.2	0.0	(332.2)	n/a	0.0	0.0	(332.2)	n/a
Information & Technology	60,302.4	59,983.6	(318.8)	(0.5%)	1,540.0	61,523.6	1,221.2	2.0%
Sub-Total Internal Services	154,972.4	153,030.7	(1,941.7)	(1.3%)	1,165.0	154,195.7	(776.7)	(0.5%)
City Manager								
City Manager's Office	37,646.7	37,079.0	(567.7)	(1.5%)	0.0	37,079.0	(567.7)	(1.5%)
Sub-Total City Manager	37,646.7	37,079.0	(567.7)	(1.5%)	0.0	37,079.0	(567.7)	(1.5%)
Other City Programs								
City Clerk's Office	34,544.4	36,806.3	2,261.9	6.5%	(13.7)	36,792.6	2,248.2	6.5%
Legal Services	20,234.9	19,993.2	(241.7)	(1.2%)	0.0	19,993.2	(241.7)	(1.2%)
Mayor's Office	2,595.7	2,560.6	(35.1)	(1.4%)	0.0	2,560.6	(35.1)	(1.4%)
City Council	19,451.5	19,636.6	185.1	1.0%	0.0	19,636.6	185.1	1.0%
Sub-Total Other City Programs	76,826.5	78,996.7	2,170.2	2.8%	(13.7)	78,983.0	2,156.5	2.8%




**CITY OF TORONTO
2010 BUDGET COMMITTEE RECOMMENDED OPERATING BUDGET
NET EXPENDITURE**

3/16/2010 18:06

(In \$000's)	2009 Approved Budget	2010 Recommended Base Budget	Change from 2009 Approved Budget		2010 Recommended New / Enh. Budget	2010 Recommended Budget	Change from 2009 Approved Budget	
			\$ Incr / (Dcr)	%			\$ Incr / (Dcr)	%
Accountability Offices								
Auditor General's Office	4,379.9	4,282.5	(97.4)	(2.2%)	0.6	4,283.1	(96.8)	(2.2%)
Integrity Commissioner's Office	203.9	203.9	(0.0)	(0.0%)	0.0	203.9	(0.0)	(0.0%)
Lobbyist Registrar	941.9	906.6	(35.3)	(3.8%)	0.0	906.6	(35.3)	(3.8%)
Office of the Ombudsman	1,218.3	1,218.3	0.0	0.0%	136.1	1,354.4	136.1	11.2%
Sub-Total Council Appointed Programs	6,744.0	6,611.3	(132.7)	(2.0%)	136.7	6,748.0	4.0	0.1%
TOTAL - CITY OPERATIONS	1,923,180.4	1,941,532.4	18,352.0	1.0%	(7,074.9)	1,934,457.5	11,277.1	0.6%
Agencies, Boards and Commissions								
Toronto Public Health	43,819.1	44,161.9	342.8	0.8%	0.0	44,161.9	342.8	0.8%
Toronto Public Library	163,913.9	167,093.3	3,179.4	1.9%	0.0	167,093.3	3,179.4	1.9%
Association of Community Centres	6,986.7	7,180.1	193.4	2.8%	0.0	7,180.1	193.4	2.8%
Exhibition Place	27.4	26.0	(1.4)	(5.1%)	0.0	26.0	(1.4)	(5.1%)
Heritage Toronto	385.0	365.7	(19.3)	(5.0%)	0.0	365.7	(19.3)	(5.0%)
Theatres	3,698.8	3,487.5	(211.3)	(5.7%)	0.0	3,487.5	(211.3)	(5.7%)
Toronto Zoo	11,676.5	11,006.6	(669.9)	(5.7%)	(6.2)	11,000.4	(676.1)	(5.8%)
Arena Boards of Management	10.1	(6.0)	(16.1)	(159.4%)	0.0	(6.0)	(16.1)	(159.4%)
Yonge-Dundas Square	572.4	543.7	(28.7)	(5.0%)	0.0	543.7	(28.7)	(5.0%)
Toronto & Region Conservation Authority	3,269.4	3,269.4	0.0	0.0%	0.0	3,269.4	0.0	0.0%
Toronto Transit Commission - Conventional	394,054.5	420,524.4	26,469.9	6.7%	9,280.1	429,804.5	35,750.0	9.1%
Toronto Transit Commission - Wheel-Trans	76,341.4	82,675.9	6,334.5	8.3%	0.0	82,675.9	6,334.5	8.3%
Toronto Police Service	854,798.5	888,089.3	33,290.8	3.9%	0.0	888,089.3	33,290.8	3.9%
Toronto Police Services Board	2,301.2	2,347.8	46.6	2.0%	0.0	2,347.8	46.6	2.0%
TOTAL - AGENCIES, BOARDS AND COMMISSIONS	1,561,854.9	1,630,765.6	68,910.7	4.4%	9,273.9	1,640,039.5	78,184.6	5.0%
Corporate Accounts								
Community Partnership and Investment Program	45,229.6	46,294.6	1,065.1	2.4%	407.4	46,702.0	1,472.4	3.3%
Capital & Corporate Financing	364,918.0	585,037.0	220,119.0	60.3%	0.0	585,037.0	220,119.0	60.3%
Non-Program Expenditures	484,131.7	474,177.4	(9,954.3)	(2.1%)	0.0	474,177.4	(9,954.3)	(2.1%)
Non-Program Revenues	(941,026.7)	(1,145,936.4)	(204,909.7)	(21.8%)	0.0	(1,145,936.4)	(204,909.7)	(21.8%)
TOTAL - CORPORATE ACCOUNTS	(46,747.5)	(40,427.4)	6,320.1	13.5%	407.4	(40,020.0)	6,727.4	14.4%
TOTAL LEVY OPERATING BUDGET	3,438,287.9	3,531,870.6	93,582.7	2.7%	2,606.4	3,534,477.0	96,189.1	2.8%
Assessment Growth - 2010						(33,150.4)	(33,150.4)	n/a
TOTAL LEVY OPERATING BUDGET AFTER ASSESSMENT GROWTH	3,438,287.9	3,531,870.6	93,582.7	2.7%	2,606.4	3,501,326.6	63,038.7	1.8%
NON LEVY OPERATION								
Toronto Parking Authority	(54,546.2)	(55,684.6)	(1,138.4)	(2.1%)	0.0	(55,684.6)	(1,138.4)	(2.1%)

CITY OF TORONTO 2010 BUDGET COMMITTEE RECOMMENDED OPERATING BUDGET GROSS EXPENDITURE								
(In \$000's)	2009 Approved Budget	2010 Recommended Base Budget	Change from 2009 Approved Budget		2010 Recommended New / Enh. Budget	2010 Recommended Budget	Change from 2009 Approved Budget	
			\$ Incr / (Dcr)	%			\$ Incr / (Dcr)	%
Citizen Centred Services "A"								
Affordable Housing Office	3,209.4	3,222.6	13.2	0.4%	0.0	3,222.6	13.2	0.4%
Children's Services	370,004.8	374,908.3	4,903.5	1.3%	3,800.0	378,708.3	8,703.5	2.4%
Court Services	47,824.4	52,079.8	4,255.4	8.9%	0.0	52,079.8	4,255.4	8.9%
Economic Development & Culture	36,854.6	35,874.3	(980.3)	(2.7%)	40.0	35,914.3	(940.3)	(2.6%)
Emergency Medical Services	161,180.4	165,266.1	4,085.7	2.5%	0.0	165,266.1	4,085.7	2.5%
Long Term Care Homes & Services	215,833.4	219,817.2	3,983.8	1.8%	809.3	220,626.5	4,793.1	2.2%
Parks, Forestry & Recreation	340,178.4	356,601.2	16,422.8	4.8%	3,280.3	359,881.5	19,703.1	5.8%
Shelter, Support & Housing Administration	925,057.1	853,954.5	(71,102.6)	(7.7%)	728.8	854,683.3	(70,373.8)	(7.6%)
Social Development, Finance & Administration	25,093.4	24,687.8	(405.6)	(1.6%)	0.0	24,687.8	(405.6)	(1.6%)
Toronto Employment & Social Services	1,204,456.9	1,341,947.2	137,490.3	11.4%	16,160.4	1,358,107.6	153,650.7	12.8%
3-1-1 Customer Service Strategy	15,444.3	17,263.9	1,819.6	11.8%	236.0	17,499.9	2,055.6	13.3%
Sub-Total Citizen Centred Services "A"	3,345,137.1	3,445,622.9	100,485.8	3.0%	25,054.8	3,470,677.7	125,540.6	3.8%
Citizen Centred Services "B"								
City Planning	37,641.6	36,182.2	(1,459.4)	(3.9%)	0.0	36,182.2	(1,459.4)	(3.9%)
Fire Services	367,106.9	371,595.4	4,488.5	1.2%	145.6	371,741.0	4,634.1	1.3%
Municipal Licensing & Standards	50,075.3	50,208.9	133.6	0.3%	0.0	50,208.9	133.6	0.3%
Policy, Planning, Finance and Administration	25,214.2	24,965.3	(248.9)	(1.0%)	0.0	24,965.3	(248.9)	(1.0%)
Technical Services	63,646.4	66,234.2	2,587.8	4.1%	1,447.6	67,681.8	4,035.4	6.3%
Toronto Building	46,158.1	44,529.7	(1,628.4)	(3.5%)	1,299.9	45,829.6	(328.5)	(0.7%)
Toronto Environment Office	9,414.2	12,758.0	3,343.8	35.5%	0.0	12,758.0	3,343.8	35.5%
Transportation Services	283,503.3	284,972.4	1,469.1	0.5%	688.0	285,660.4	2,157.1	0.8%
Waterfront Secretariat	1,578.8	1,547.1	(31.7)	(2.0%)	0.0	1,547.1	(31.7)	(2.0%)
Sub-Total Citizen Centred Services "B"	884,338.8	892,993.2	8,654.4	1.0%	3,581.1	896,574.3	12,235.5	1.4%
Internal Services								
Office of the Chief Financial Officer	12,719.8	12,826.6	106.8	0.8%	2,685.0	15,511.6	2,791.8	21.9%
Office of the Treasurer	73,355.2	73,064.7	(290.5)	(0.4%)	2,606.0	75,670.7	2,315.5	3.2%
Facilities & Real Estate	164,872.4	168,277.2	3,404.8	2.1%	1,352.3	169,629.4	4,757.0	2.9%
Fleet Services	46,768.7	47,292.0	523.3	1.1%	0.0	47,292.0	523.3	1.1%
Information & Technology	78,282.0	80,185.2	1,903.2	2.4%	5,522.5	85,707.7	7,425.7	9.5%
Sub-Total Internal Services	375,998.1	381,645.7	5,647.6	1.5%	12,165.8	393,811.4	17,813.3	4.7%
City Manager								
City Manager's Office	40,950.7	40,614.0	(336.7)	(0.8%)	1,140.0	41,754.0	803.3	2.0%
Sub-Total City Manager	40,950.7	40,614.0	(336.7)	(0.8%)	1,140.0	41,754.0	803.3	2.0%
Other City Programs								
City Clerk's Office	52,821.0	59,793.7	6,972.7	13.2%	370.0	60,163.7	7,342.7	13.9%
Legal Services	39,593.4	39,185.0	(408.4)	(1.0%)	353.3	39,538.3	(55.1)	(0.1%)
Mayor's Office	2,599.7	2,560.6	(39.1)	(1.5%)	0.0	2,560.6	(39.1)	(1.5%)
City Council	19,451.5	20,336.6	885.1	4.6%	0.0	20,336.6	885.1	4.6%
Sub-Total Other City Programs	114,465.6	121,875.9	7,410.3	6.5%	723.3	122,599.2	8,133.6	7.1%

CITY OF TORONTO 2010 BUDGET COMMITTEE RECOMMENDED OPERATING BUDGET GROSS EXPENDITURE								
(In \$000's)	2009 Approved Budget	2010 Recommended Base Budget	Change from 2009 Approved Budget		2010 Recommended New / Enh. Budget	2010 Recommended Budget	Change from 2009 Approved Budget	
			\$ Incr / (Dcr)	%			\$ Incr / (Dcr)	%
Accountability Offices								
Auditor General's Office	4,379.9	4,282.5	(97.4)	(2.2%)	0.6	4,283.1	(96.8)	(2.2%)
Integrity Commissioner's Office	203.9	203.9	(0.0)	(0.0%)	0.0	203.9	(0.0)	(0.0%)
Lobbyist Registrar	941.9	906.6	(35.3)	(3.8%)	0.0	906.6	(35.3)	(3.8%)
Office of the Ombudsman	1,218.3	1,218.3	0.0	0.0%	136.1	1,354.4	136.1	11.2%
Sub-Total Council Appointed Programs	6,744.0	6,611.3	(132.7)	(2.0%)	136.7	6,748.0	4.0	0.1%
TOTAL - CITY OPERATIONS	4,767,634.3	4,889,363.0	121,728.7	2.6%	42,801.6	4,932,164.6	164,530.3	3.5%
Agencies, Boards and Commissions								
Toronto Public Health	222,876.0	216,344.3	(6,531.7)	(2.9%)	3,194.7	219,539.0	(3,337.0)	(1.5%)
Toronto Public Library	177,675.8	180,780.5	3,104.7	1.7%	0.0	180,780.5	3,104.7	1.7%
Association of Community Centres	7,165.0	7,369.2	204.2	2.8%	0.0	7,369.2	204.2	2.8%
Exhibition Place	59,765.3	62,927.8	3,162.5	5.3%	0.0	62,927.8	3,162.5	5.3%
Heritage Toronto	714.0	702.8	(11.2)	(1.6%)	10.0	712.8	(1.2)	(0.2%)
Theatres	11,863.8	20,367.1	8,503.3	71.7%	250.0	20,617.1	8,753.3	73.8%
Toronto Zoo	44,242.7	44,764.8	522.1	1.2%	175.6	44,940.4	697.7	1.6%
Arena Boards of Management	6,272.6	6,395.7	123.1	2.0%	0.0	6,395.7	123.1	2.0%
Yonge-Dundas Square	1,618.5	1,762.7	144.2	8.9%	0.0	1,762.7	144.2	8.9%
Toronto & Region Conservation Authority	35,425.9	35,498.1	72.2	0.2%	85.8	35,583.9	158.0	0.4%
Toronto Transit Commission - Conventional	1,298,364.7	1,361,639.6	63,274.9	4.9%	9,280.1	1,370,919.7	72,555.0	5.6%
Toronto Transit Commission - Wheel-Trans	80,169.1	87,433.2	7,264.1	9.1%	0.0	87,433.2	7,264.1	9.1%
Toronto Police Service	918,923.2	953,793.8	34,870.6	3.8%	50.0	953,843.8	34,920.6	3.8%
Toronto Police Services Board	2,301.2	2,347.8	46.6	2.0%	0.0	2,347.8	46.6	2.0%
TOTAL - AGENCIES, BOARDS AND COMMISSIONS	2,867,377.8	2,982,127.3	114,749.5	4.0%	13,046.2	2,995,173.5	127,795.7	4.5%
Corporate Accounts								
Community Partnership and Investment Program	45,991.8	46,505.6	513.9	1.1%	407.4	46,913.0	921.2	2.0%
Capital & Corporate Financing	628,229.7	615,454.7	(12,775.0)	(2.0%)	0.0	615,454.7	(12,775.0)	(2.0%)
Non-Program Expenditures	592,268.1	611,188.9	18,920.8	3.2%	0.0	611,188.9	18,920.8	3.2%
Non-Program Revenues	6,928.1	12,819.5	5,891.4	85.0%	0.0	12,819.5	5,891.4	85.0%
TOTAL - CORPORATE ACCOUNTS	1,273,417.6	1,285,968.7	12,551.1	1.0%	407.4	1,286,376.1	12,958.4	1.0%
TOTAL LEVY OPERATING BUDGET	8,908,429.7	9,157,459.0	249,029.3	2.8%	56,255.2	9,213,714.2	305,284.5	3.4%
NON LEVY OPERATION								
Toronto Parking Authority	65,661.3	68,734.6	3,073.3	4.7%	0.0	68,734.6	3,073.3	4.7%

 CITY OF TORONTO 2010 BUDGET COMMITTEE RECOMMENDED OPERATING BUDGET REVENUE								
(In \$'000's)	2009 Approved Budget	2010 Recommended Base Budget	Change from 2009 Approved Budget		2010 Recommended New / Enh. Budget	2010 Recommended Budget	Change from 2009 Approved Budget	
			\$ Incr / (Dcr)	%			\$ Incr / (Dcr)	%
Citizen Centred Services "A"								
Affordable Housing Office	1,904.3	1,888.2	(16.1)	(0.8%)	0.0	1,888.2	(16.1)	(0.8%)
Children's Services	302,229.5	304,132.3	1,902.8	0.6%	3,800.0	307,932.3	5,702.8	1.9%
Court Services	59,748.8	62,161.8	2,413.0	4.0%	0.0	62,161.8	2,413.0	4.0%
Economic Development & Culture	9,507.4	9,467.9	(39.5)	(0.4%)	40.0	9,507.9	0.5	0.0%
Emergency Medical Services	96,883.3	99,618.7	2,735.4	2.8%	0.0	99,618.7	2,735.4	2.8%
Long Term Care Homes & Services	171,149.1	173,043.9	1,894.8	1.1%	809.3	173,853.2	2,704.1	1.6%
Parks, Forestry & Recreation	91,316.8	94,564.6	3,247.8	3.6%	4,693.5	99,258.1	7,941.3	8.7%
Shelter, Support & Housing Administration	658,417.3	595,274.6	(63,142.7)	(9.6%)	728.8	596,003.4	(62,413.9)	(9.5%)
Social Development, Finance & Administration	11,469.8	11,415.8	(54.0)	(0.5%)	0.0	11,415.8	(54.0)	(0.5%)
Toronto Employment & Social Services	885,178.7	1,017,351.6	132,172.9	14.9%	16,160.4	1,033,512.0	148,333.3	16.8%
3-1-1 Customer Service Strategy	7,943.3	7,992.0	48.7	0.6%	236.0	8,228.0	284.7	3.6%
Sub-Total Citizen Centred Services "A"	2,295,748.3	2,376,911.4	81,163.1	3.5%	26,468.0	2,403,379.4	107,631.1	4.7%
Citizen Centred Services "B"								
City Planning	23,709.4	22,959.9	(749.5)	(3.2%)	0.0	22,959.9	(749.5)	(3.2%)
Fire Services	7,852.9	7,709.8	(143.1)	(1.8%)	4,890.4	12,600.2	4,747.3	60.5%
Municipal Licensing & Standards	30,763.3	30,787.9	24.6	0.1%	195.0	30,982.9	219.6	0.7%
Policy, Planning, Finance and Administration	12,567.4	12,950.8	383.4	3.1%	0.0	12,950.8	383.4	3.1%
Technical Services	50,519.8	53,318.5	2,798.7	5.5%	2,156.3	55,474.8	4,955.0	9.8%
Toronto Building	56,958.7	55,330.3	(1,628.4)	(2.9%)	1,299.9	56,630.2	(328.5)	(0.6%)
Toronto Environment Office	5,865.0	9,386.3	3,521.3	60.0%	0.0	9,386.3	3,521.3	60.0%
Transportation Services	97,915.3	102,856.5	4,941.2	5.0%	1,989.2	104,845.7	6,930.4	7.1%
Waterfront Secretariat	585.0	590.0	5.0	0.9%	0.0	590.0	5.0	0.9%
Sub-Total Citizen Centred Services "B"	286,736.8	295,890.0	9,153.2	3.2%	10,530.8	306,420.7	19,683.9	6.9%
Internal Services								
Office of the Chief Financial Officer	3,770.0	3,898.6	128.6	3.4%	2,685.0	6,583.6	2,813.6	74.6%
Office of the Treasurer	42,891.1	43,207.4	316.3	0.7%	2,981.0	46,188.4	3,297.3	7.7%
Facilities & Real Estate	109,948.5	114,015.4	4,066.9	3.7%	1,352.3	115,367.7	5,419.2	4.9%
Fleet Services	46,436.5	47,292.0	855.5	1.8%	0.0	47,292.0	855.5	1.8%
Information & Technology	17,979.6	20,220.6	2,222.0	12.4%	3,982.5	24,184.1	6,204.5	34.5%
Sub-Total Internal Services	221,025.7	228,615.0	7,589.3	3.4%	11,000.8	239,615.8	18,590.1	8.4%
City Manager								
City Manager's Office	3,304.0	3,535.0	231.0	7.0%	1,140.0	4,675.0	1,371.0	41.5%
Sub-Total City Manager	3,304.0	3,535.0	231.0	7.0%	1,140.0	4,675.0	1,371.0	41.5%
Other City Programs								
City Clerk's Office	18,276.6	22,987.4	4,710.8	25.8%	383.7	23,371.1	5,094.5	27.9%
Legal Services	19,358.5	19,191.8	(166.7)	(0.9%)	353.3	19,545.1	186.6	1.0%
Mayor's Office	4.0	0.0	(4.0)	(100.0%)	0.0	0.0	(4.0)	(100.0%)
City Council	0.0	700.0	700.0	n/a	0.0	700.0	700.0	n/a
Sub-Total Other City Programs	37,639.1	42,879.2	5,240.1	13.9%	737.0	43,616.2	5,977.1	15.9%

CITY OF TORONTO								
2010 BUDGET COMMITTEE RECOMMENDED OPERATING BUDGET								
REVENUE								
(In \$000's)	2009 Approved Budget	2010 Recommended Base Budget	Change from 2009 Approved Budget		2010 Recommended New / Enh. Budget	2010 Recommended Budget	Change from 2009 Approved Budget	
			\$ Incr / (Dcr)	%			\$ Incr / (Dcr)	%
Accountability Offices								
Auditor General's Office	0.0	0.0	0.0	n/a	0.0	0.0	0.0	n/a
Integrity Commissioner's Office	0.0	0.0	0.0	n/a	0.0	0.0	0.0	n/a
Lobbyist Registrar	0.0	0.0	0.0	n/a	0.0	0.0	0.0	n/a
Office of the Ombudsman	0.0	0.0	0.0	n/a	0.0	0.0	0.0	n/a
Sub-Total Council Appointed Programs	0.0	0.0	0.0	n/a	0.0	0.0	0.0	n/a
TOTAL - CITY OPERATIONS	2,844,453.9	2,947,830.6	103,376.7	3.6%	49,876.5	2,997,707.1	153,253.2	5.4%
Agencies, Boards and Commissions								
Toronto Public Health	179,056.9	172,182.4	(6,874.5)	(3.8%)	3,194.7	175,377.1	(3,679.8)	(2.1%)
Toronto Public Library	13,761.9	13,687.2	(74.7)	(0.5%)	0.0	13,687.2	(74.7)	(0.5%)
Association of Community Centres	178.3	189.1	10.8	6.1%	0.0	189.1	10.8	6.1%
Exhibition Place	59,737.9	62,901.8	3,163.9	5.3%	0.0	62,901.8	3,163.9	5.3%
Heritage Toronto	329.0	337.1	8.1	2.5%	10.0	347.1	18.1	5.5%
Theatres	8,165.0	16,879.6	8,714.6	106.7%	250.0	17,129.6	8,964.6	109.8%
Toronto Zoo	32,566.2	33,758.2	1,192.0	3.7%	181.8	33,940.0	1,373.8	4.2%
Arena Boards of Management	6,262.5	6,401.7	139.2	2.2%	0.0	6,401.7	139.2	2.2%
Yonge-Dundas Square	1,046.1	1,219.0	172.9	16.5%	0.0	1,219.0	172.9	16.5%
Toronto & Region Conservation Authority	32,156.5	32,228.7	72.2	0.2%	85.8	32,314.5	158.0	0.5%
Toronto Transit Commission - Conventional	904,310.2	941,115.2	36,805.0	4.1%	0.0	941,115.2	36,805.0	4.1%
Toronto Transit Commission - Wheel-Trans	3,827.7	4,757.3	929.6	24.3%	0.0	4,757.3	929.6	24.3%
Toronto Police Service	64,124.7	65,704.5	1,579.8	2.5%	50.0	65,754.5	1,629.8	2.5%
Toronto Police Services Board	0.0	0.0	0.0	n/a	0.0	0.0	0.0	n/a
TOTAL - AGENCIES, BOARDS AND COMMISSIONS	1,305,522.9	1,351,361.7	45,838.9	3.5%	3,772.3	1,355,134.0	49,611.2	3.8%
Corporate Accounts								
Community Partnership and Investment Program	762.2	211.0	(551.2)	(72.3%)	0.0	211.0	(551.2)	(72.3%)
Capital & Corporate Financing	263,311.7	30,417.7	(232,894.0)	(88.4%)	0.0	30,417.7	(232,894.0)	(88.4%)
Non-Program Expenditures	108,136.4	137,011.5	28,875.1	26.7%	0.0	137,011.5	28,875.1	26.7%
Non-Program Revenues	947,954.8	1,158,755.9	210,801.1	22.2%	0.0	1,158,755.9	210,801.1	22.2%
TOTAL - CORPORATE ACCOUNTS	1,320,165.1	1,326,396.1	6,231.0	0.5%	0.0	1,326,396.1	6,231.0	0.5%
TOTAL LEVY OPERATING BUDGET	5,470,141.8	5,625,588.4	155,446.5	2.8%	53,648.8	5,679,237.2	209,095.4	3.8%
NON LEVY OPERATION								
Toronto Parking Authority	120,207.5	124,419.2	4,211.7	3.5%	0.0	124,419.2	4,211.7	3.5%



CITY OF TORONTO
2010 Budget Committee Recommended Operating Budget
Operating Positions

Division	2009	2010	Change from 2009	
			Positions	%
Citizen Centred Services "A"				
Affordable Housing Office	23.0	22.0	(1.0)	(4.3)
Children's Services	957.5	949.5	(8.0)	(0.8)
Court Services	293.0	293.0	0.0	0.0
Economic Development & Culture	277.2	276.8	(0.4)	(0.1)
Emergency Medical Services	1,217.0	1,210.5	(6.5)	(0.5)
Long Term Care Homes & Services	2,193.7	2,183.0	(10.7)	(0.5)
Parks, Forestry & Recreation	4,203.4	4,230.1	26.7	0.6
Shelter, Housing & Support Administration	743.8	748.8	5.0	0.7
Social Development, Finance & Administration	177.9	172.9	(5.0)	(2.8)
Toronto Employment & Social Services	2,148.0	2,354.0	206.0	9.6
311 Customer Service Strategy	152.0	146.7	(5.3)	(3.5)
Sub-Total Citizen Centred Services "A"	12,386.5	12,587.3	200.8	1.6
Citizen Centred Services "B"				
City Planning	358.5	350.0	(8.5)	(2.4)
Fire Services	3,180.3	3,182.3	2.0	0.1
Municipal Licensing and Standards	522.6	501.3	(21.3)	(4.1)
Policy, Planning, Finance & Administration	244.1	239.1	(5.0)	(2.0)
Technical Services	165.4	167.4	2.0	1.2
Toronto Building	417.5	428.5	11.0	2.6
Toronto Environment Office	28.6	28.6	0.0	0.0
Transportation Services	1,294.2	1,279.2	(15.0)	(1.2)
Waterfront Secretariat	6.0	6.0	0.0	0.0
Sub-Total Citizen Centred Services "B"	6,217.2	6,182.4	(34.8)	(0.6)
Internal Services				
Office of the Chief Financial Officer	112.0	109.0	(3.0)	(2.7)
Office of the Treasurer	788.0	765.0	(23.0)	(2.9)
Facilities & Real Estate	811.0	812.6	1.6	0.2
Fleet Services	209.0	205.0	(4.0)	(1.9)
Information & Technology	575.5	575.5	0.0	0.0
Sub-Total Internal Services	2,495.5	2,467.1	(28.4)	(1.1)
City Manager				
City Manager's Office	406.0	398.0	(8.0)	(2.0)
Sub-Total City Manager	406.0	398.0	(8.0)	(2.0)
Other City Programs				
City Clerk's Office	443.5	489.6	46.1	10.4
Legal Services	279.0	276.0	(3.0)	(1.1)
Mayor's Office	23.0	23.0	0.0	0.0
City Council	176.0	176.0	0.0	0.0
Auditor General's Office	29.0	29.6	0.6	2.1
Office of the Lobbyist Registrar	8.3	8.3	0.0	0.0
Office of the Integrity Commissioner	0.5	1.5	1.0	200.0
Office of the Ombudsperson	7.0	10.0	3.0	42.9
Sub-Total Other City Programs	966.3	1,014.0	47.7	4.9
TOTAL - CITY OPERATIONS	22,471.5	22,648.8	177.3	0.8
Agencies, Boards and Commissions				
Toronto Public Health	1,885.6	1,865.7	(19.9)	(1.1)
Toronto Public Library	1,832.6	1,830.6	(2.0)	(0.1)
Association of Community Centres	91.2	91.2	0.0	0.0
Exhibition Place	529.5	529.5	0.0	0.0
Heritage Toronto	6.0	6.0	0.0	0.0
Theatres	133.2	176.6	43.4	32.6
Toronto Zoo	379.5	383.5	4.0	1.1
Arena Boards of Management	65.5	65.5	0.0	0.0
Yonge-Dundas Square	5.0	5.0	0.0	0.0
Parking Tag Enforcement & Operations	395.0	395.0	0.0	0.0
Toronto Atmospheric Fund	6.0	7.0	1.0	16.7
Toronto Transit Commission	10,587.0	10,560.0	(27.0)	(0.3)
Wheel Trans	462.0	530.0	68.0	14.7
Toronto Police Service (excludes Board)	7,830.0	7,834.0	4.0	0.1
TOTAL - AGENCIES, BOARDS & COMMISSIONS	24,208.1	24,279.6	71.5	0.3
TOTAL - LEVY OPERATIONS	46,679.6	46,928.4	248.8	0.5
Non Levy Operations				
Solid Waste Management Services	1,357.8	1,309.1	(48.7)	(3.6)
Toronto Water	1,739.4	1,726.4	(13.0)	(0.7)
Toronto Parking Authority	299.6	298.0	(1.6)	(0.5)
TOTAL - NON LEVY OPERATIONS	3,396.8	3,333.5	(63.3)	(1.9)
TOTAL	50,076.4	50,261.9	185.5	0.4