

# **TORONTO** STAFF REPORT

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September 2, 2003

To: Board of Health

From: Dr. Sheela Basrur, Medical Officer of Health

Subject: Toronto Public Health - Second Quarter, 2003 Operating Budget Variance

Purpose:

To apprise the Board of Health of the Public Health operating budget variance as of the second quarter, 2003.

Financial Implications and Impact Statement:

As of June 30, 2003 the Public Health gross operating budget is under spent by \$2.343 million or 3.6% with a net unfavourable operating variance of \$70.6 thousand or 0.3%. Revenues are under-achieved by \$2.413 million or 6.3%. Preliminary projections to year-end indicate a net unfavourable operating variance of \$1.2 million, as the Province is only considering 50% funding for the Enhanced West Nile Virus (WNV) Prevention and Control Plan. Details are provided in Attachment 1.

The Chief Financial Officer and Treasurer has reviewed this report and concurs with this financial impact statement.

Recommendations:

It is recommended that this report be received for information.

Background:

The revised, approved 2003 Public Health operating budget is \$170.301 million (gross) and \$69.617 million (net). This assumes a gapping target of 4% which amounts to \$4.199 million, which is equivalent

to approximately 60 full time positions. The budget also assumes full Provincial cost- sharing for eligible programs.

Comments:

The Second Quarter Corporate 2003 Operating Variance Report is attached for detailed information.

1. YTD Gross Expenditures

At the end of the second quarter, 2003 Public Health has an overall favourable variance of \$2.343 million. This favourable variance is mainly as a result of the reallocation of resources required in response to the SARS outbreak. However, the SARS outbreak had a major impact on Public Health service delivery across all programs. Recruitment activity was deferred in the second quarter as hiring managers were redeployed to the SARS response, hence Salaries & Benefits are under spent by \$1.275 million. Reduced staffing levels in all Public Health programs resulted in a corresponding reduction in or deferral of services.

Other under expenditures due to deferral of spending or delays in billings include: \$235 thousand in materials and supplies, \$244 thousand in purchased services, and \$634 thousand in Interdepartmental Charges (IDCs). These under expenditures are predicted to be resolved by year-end as Public Health begins to catch up in delayed services.

2. YTD Revenues

Revenues are under-achieved for the following reasons:

- a) A shortfall of \$1.329 million in interdepartmental recoveries primarily from the Ontario Works Dental Program. Any shortfall by year-end is expected to be offset by a corresponding under expenditure in Purchase of Service;
- b) Delays in the implementation of capital projects such as the Toronto Community Health Information System (TCHIS) and Coordinated Access, due to the reallocation of resources during the SARS outbreak.
- c) A delay of the opening of the Toronto Animal Services South Regional Animal Shelter resulted in a shortfall of \$265.0 thousand in revenues from licensing, donations and fees relating to services such as animal adoptions.
- d) A shortfall of \$330.0 thousand in grants & subsidies from the Ministry of Health and Long-Term Care (MOHLTC) due to overall gross under spending in the first and second quarter of 2003.

Public Health has submitted a request in the amount of \$62.3 million to the MOHLTC for the funding of cost-shared programs in 2003. This represents an increase of \$5.8 million over the 2002 approved

cost-shared funding. Approval for this request is not expected until the fourth quarter of 2003.

### 3. SARS Expenditures

Incremental and extraordinary expenditures and corresponding revenue relating to the SARS response are recorded in non-program corporate accounts and are therefore not reflected in the Public Health operating budget.

As of June 30, 2003 the total expenditure for the SARS response is \$4.8 million. This is comprised of \$2.4 million for incremental and extraordinary costs, and \$2.4 million for base salary and benefit costs. The estimated total cost for the SARS response is approximately \$6.0 million. A claim for \$2.4 million has been submitted to MOHLTC for 100% funding for incremental and extraordinary costs.

The SARS Recovery Plan approved by City Council authorized the hiring of 46 temporary positions for one year at a total cost of \$4.3 million. Funding at 100% has been requested from MOHLTC.

### 4. Enhanced West Nile Virus (WNV) Prevention and Control Plan

As directed by the Board of Health, Public Health has forwarded a request to the MOHLTC in the amount of \$2.493 million for 100% funding of the Enhanced WNV Prevention and Control Plan for 2003. In a letter dated July 21, 2003, the MOHLTC indicated that this request is still under review and will be considered within the context of the 50% cost-shared funding policy. Therefore only 50% funding of the WNV enhancement is expected. The Public Health operating budget as of the second quarter, 2003 does not include funds for the Enhanced WNV Prevention and Control Plan and a net unfavourable variance of \$1.2 million is projected at year-end. At its meeting of July 22, 23 and 24, 2003 Council directed the Medical Officer of Health and the Chief Financial Officer to report through the second quarter variance on offsetting expenditure reductions and/or revenue increases in the Public Health Unit and/or Community and Neighbourhood Services Department should Provincial funding not be forthcoming. As reported in the Corporate Second Quarter, 2003 Operating Variance Report (Attachment 2), Public Health will be in a better position to address this unfavourable year-end variance in the third quarter operating variance report

### Conclusions:

The Public Health 2003 second quarter operating budget variance report indicates a favourable variance in gross and a near break-even variance in net expenditures. Continued deferral of spending with corresponding reductions in some service levels is intended to manage much of the under-achievement in revenues. It is predicted that the Province will confirm only 50% funding for the Enhanced WNV Prevention and Control Plan. Therefore a net unfavourable variance of \$1.2 million in the 2003 Public Health operating budget is predicted by year-end. Public Health will be in a better position to address this unfavourable year-end variance in the third quarter operating variance report.

Attachments:

- 1 Public Health – Operating Variance Submission – June 30, 2003
- 2 Corporate - Second Quarter 2003 Operating Variance Report

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Dr. Sheela V. Basrur  
Medical Officer of Health



**OPERATING VARIANCE SUBMISSION  
FOR THE PERIOD ENDED JUNE 30, 2003**

**OVERVIEW**

**PROGRAM** Toronto Public Health

**YEAR-TO-DATE AT JUNE 30, 2003**

("ACTUAL" is Adjusted Actual from  
Accrual Worksheet - Schedule 4)

Gross Expenditure:

	ACTUAL	BUDGET	VARIANCE OVER/(UNDER)	
	(\$000's)	(\$000's)	(\$000's)	%
Consulting Costs <sup>1</sup>	0.0	0.0	0.0	0.0%
Utility Costs (cost elements 2215, 2220, 2230, 2250)	107.3	92.5	14.8	16.0%
Other Expenditures	63,534.1	65,891.7	(2,357.6)	(3.6%)
<b>Total Gross Expenditure</b>	<b>63,641.4</b>	<b>65,984.2</b>	<b>(2,342.8)</b>	<b>(3.6%)</b>
Revenue	36,197.2	38,610.6	(2,413.4)	(6.3%)
<b>NET EXPENDITURE</b>	<b>27,444.2</b>	<b>27,373.6</b>	<b>70.6</b>	<b>0.3%</b>

**Approved Positions at June 30, 2003:**

Permanent / Full Time	1,537.0	1,537.0	0.0	0.0%
Permanent / Part Time	98.4	98.4	0.0	0.0%
Temp / Seasonal / Casual Full Time	26.0	26.0	0.0	0.0%
Temp / Seasonal / Casual Part Time	25.1	25.1	0.0	0.0%
	<b>1,686.5</b>	<b>1,686.5</b>	<b>0.0</b>	<b>0.0</b>

**PROJECTIONS TO YEAR-END**

Gross Expenditure:

	ACTUAL	BUDGET	VARIANCE OVER/(UNDER)	
	(\$000's)	(\$000's)	(\$000's)	%
Consulting Costs <sup>1</sup>	0.0	0.0	0.0	0.0%
Utility Costs (cost elements 2215, 2220, 2230, 2250)	279.4	264.4	15.0	5.7%
Other Expenditures	169,631.4	170,036.4	(405.0)	(0.2%)
<b>Total Gross Expenditure</b>	<b>169,910.8</b>	<b>170,300.8</b>	<b>(390.0)</b>	<b>(0.2%)</b>
Revenue	100,294.1	100,684.1	(390.0)	(0.4%)
<b>NET EXPENDITURE</b>	<b>69,616.7</b>	<b>69,616.7</b>	<b>0.0</b>	<b>0.0%</b>

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Signature – Head of Program/Agency/Board/Commission

<sup>1</sup> The Consulting budget is reclassified as Contracted Services per Clause 1 in Report No. 6 of the Audit Committee as adopted by Council on June 18, 19 and 20.



**OPERATING VARIANCE SUBMISSION  
FOR THE PERIOD ENDED JUNE 30, 2003**

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**EXPLANATIONS / COMMENTARY**

**PROGRAM** Toronto Public Health (TPH)

A. Explanation of Significant Variances

I. SARS

The incremental and extraordinary expenditures and corresponding revenue relating to SARS are recorded in non-program corporate accounts and are therefore not reflected in TPH's operating budget. Only base salary and benefit costs incurred due to SARS form part of TPH's operating budget. With these in mind, it is worth noting the following:

**SARS Response**

As of June 30, 2003, the total expenditure for SARS Response is \$4,800 thousand, comprising \$2,400 thousand for incremental and extraordinary costs, and \$2,400 thousand for base salary and benefit costs. The year-end projection for SARS Response is approximately \$6,000 thousand. A claim for \$2,400 thousand has been submitted to the Ministry of Health and Long Term Care (MOHLTC or Ministry) for 100% funding for the incremental and extraordinary costs. As at June 30, 2003, TPH has received funding of \$160 thousand for SARS related costs.

**SARS Recovery**

The SARS Recovery plan approved by City Council authorized the hiring of 46 temporary positions for one year at a total cost of \$4,300 thousand. To date, approximately 50% of the staff have been hired. Expenditure to year end is projected at \$2,200 thousand. Funding at 100% has been requested from MOHLTC.

II. Consulting Costs

III. Utility Costs

Utility costs are overspent by \$14.8 thousand or 16% year to date, \$12.7 of which are variance resulting from first quarter when hydro bill increased by 88% over the same period last year. The increase in hydro cost was attributed to a combination of increased usage of electricity due to a relatively colder and prolonged winter, and the lag of two to three months between hydro usage and billing. The rate increases due to industry deregulation may also have an impact to Agencies Board and Commissions (ABCs) such as TPH for which rates are not capped but the extent of rate increases cannot be fully estimated at this time.

It should be pointed out that the utility costs reported in this report represents costs relating to leased properties not owned by the City of Toronto. Costs relating to City-owned properties are reported as part of interdepartmental charges. Most of TPH properties are City-owned.

IV. Other Expenditures

Overall favourable variance of \$2,342.8 thousand or 3.6% is achieved in gross expenditures. Key items contributing to this variance are:

a. Salaries & Benefits in the amount of \$1,275 thousand. The SARS outbreak has greatly impacted TPH's recruitment plans in the 2nd quarter as hiring managers had to focus their resources in responding to the emergency situation. This has further exacerbated the already high level of vacancies experienced in the 1st quarter as a result of the hiring freeze imposed in the last five months of 2002. The favourable variance however is expected to narrow by year-end as programs pursue catch-up initiatives to reverse the service level backlog resulting from the SARS outbreak.

b. Material and Supplies of \$235 thousand. As in Salaries & Benefits, spending is expected to be on target by year-end as programs pursue catch-up initiatives to reverse the service level backlog.

c. Services & Rents of \$244 thousand. Contracted services relating to professional & technical services, translations, advertising and promotions, and training, among others, have been under-spent but are expected to be on target by year-end.

d. Interdepartmental charges (IDCs) of \$634 thousand. This variance is expected to cover shortfall in interdepartmental recoveries (IDRs) from 100% funded Ontario Works Dental Program.

V. Revenue

Overall revenue shortfall to date stands at \$2,413.4 or 6.3% and can be attributed mainly to the following factors:

a. Interdepartmental recoveries (IDRs) of \$1,329.2 thousand. About 78% of the variance can be attributed to 100% funding by Ontario Works Dental Program. Any shortfall in IDRs by year-end is expected to be offset by under-spending in IDCs.

b. Transfer from Capital Funds of \$572 thousand. This is as a result to delays in the implementation of capital projects such as Toronto Community Health Information System (TCHIS) and Coordinated Access. The SARS outbreak has redirected resources to respond to emergency needs. The revenue shortfall will be offset by under-spending in salaries and benefits of staffing in capital projects.

c. Grants & Subsidies of \$330 thousand. The variance is expected to be minimal by year end if MOHLTC agrees to fund the increase from 2002 funding level.

d. Licensing, Donations and Fees relating to Animal Services of approximately \$265 thousand. The delay in the Opening of the Animal South Centre and the slow start-up have affected revenue generation. Other factors include delay in issuing Request for Proposal and Contracts for the Spay/Neuter Clinic, lower than expected revenue in impound fees, and longer rebound of revenues affected by license billing problems experienced last year. By year end revenue shortfall may reach \$390 thousand but this will be offset by under-spending in program expenditures.

## VI. Approved Positions

TPH has 1,686.5 approved positions for 2003. About sixty positions are expected to be held vacant to achieve the 4% gapping target. TPH expects to maintain this approved level of complement.

### B. Impact of Variances

- a. The overall under-spending in the gross expenditures has resulted in lower level of service delivery across programs. This means that TPH had to trade off to some extent the delivery of its regular programs during the 2nd quarter in order to respond to the SARS emergency.
- b. While expenditures is under-spent to date, the shortfall in revenues will create pressures in spending during the second half of the year to ensure that TPH balances its budget by year-end.

### C. Corrective Action

With the control of the SARS outbreak, programs are now addressing the service gaps by actively pursuing program implementation including purchase of materials, supplies and services, and hiring the required resources to augment the current complement levels.

As the operation of the new Animal Centre gains momentum, efforts to generate revenues will be given priority through out the rest of the year.

Spending will continue to be closely monitored to ensure any shortfall in revenues will not negatively impact TPH's net expenditure budget.

Expected overspending in utilities will be addressed through reallocation of expenditures to achieve a balanced budget. In addition, participation to the Employee Energy Efficiency Program will continue to be encouraged to achieve savings and, at the same time, contribute to a cleaner air in the community.

### D. Others

#### **Enhanced West Nile Virus Prevention and Control Plan**

As directed by the Board of Health, TPH has forwarded a request to the MOHLTC in the amount of \$2,500 thousand for 100% funding of the Enhanced West Nile Virus Prevention and Control Plan for 2003. To date, no confirmation of funding has been received from the Ministry.

Pending approval by the City Council, TPH operating budget as of June 30, 2003 does not include expenditures relating to the Enhanced WNV program.

#### **Cost-Shared Programs**

TPH has submitted a request in the amount of \$62,300 thousand to the Ministry for funding of cost-shared programs in 2003. This represents an increase of \$5.8 million over the 2002 approved cost-shared funding. Approval for this request is not expected until the 4th quarter of the year.



**OPERATING VARIANCE SUBMISSION  
FOR THE QUARTER ENDED JUNE 30, 2003**

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**SOLE-SOURCED CONSULTING CONTRACTS GREATER THAN \$7,500**

PROGRAM [Toronto Public Health](#)

**APRIL 1 TO JUNE 30, 2003**

Value of Contract (\$000's)	Period of Contract	Reason for Sole-Sourcing
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Consulting Firms:

[None](#)

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<b>TOTAL</b>	<b>0.0</b>
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**OPERATING VARIANCE SUBMISSION  
FOR THE PERIOD ENDED JUNE 30, 2003**

**ACCRUAL WORKSHEET**

(\$000's)

**PROGRAM**    *Input Program Name*

**YEAR-TO-DATE AT JUNE 30, 2003**

*("ADJUSTED ACTUAL" is Actual on*

*Overview - Schedule 1)*

Gross Expenditure:

	SAP ACTUAL	ACCRUALS NOT IN SAP	ADJUSTED ACTUAL
Consulting Costs	0.0	0.0	0.0
Utility Costs <i>(cost elements 2215, 2220, 2230, 2250)</i>	107.3	0.0	107.3
Other Expenditures	63,534.1	0.0	63,534.1
<b>Total Gross Expenditure</b>	<b>63,641.4</b>	<b>0.0</b>	<b>63,641.4</b>
Revenue	35,902.7	294.5	36,197.2
<b>NET EXPENDITURE</b>	<b>27,738.7</b>	<b>(294.5)</b>	<b>27,444.2</b>

**Accrual Details:**

**Revenue - Adjustment was made in Cost Element 8010 to reflect eligible claims from the Ministry of Health and Long-Term Care (MOHLTC) for funded programs**

Total Gross Expenditure	0.0	0.0	0.0
Revenue	0.0	0.0	0.0

# TORONTO STAFF REPORT

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Attachment 2

August 29, 2003

To: Budget Advisory Committee  
From: Chief Financial Officer and Treasurer  
Subject: 2nd Quarter 2003 Operating Variance Report

## Purpose:

The purpose of this report is to provide the City of Toronto Operating Variance report for the six months of operations ended June 30, 2003, and projections of gross and net expenditures for the year ending December 31, 2003.

## Financial Implications and Impact Statement:

Net expenditures for the six-month period ended June 30, 2003 were \$15.5 million or 1.1 percent under spent. Gross expenditures were under spent by \$120.7 million, while revenues were under achieved by \$105.2 million. Preliminary projections to year-end indicate a net operating budget over expenditure of \$15.4 million due mainly to revenue reductions relative to SARS. The CAO and CFO will ensure that appropriate measures are taken to maintain a balanced budget.

## Recommendations:

It is recommended that:

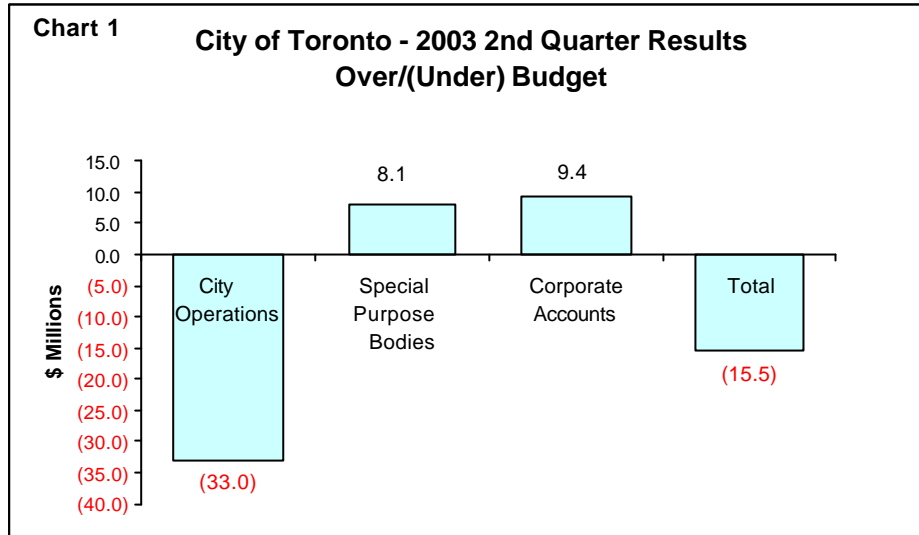
- (1) The CFO and Treasurer instruct City Programs and Special Purpose Bodies to immediately curtail all discretionary spending through the balance of 2003; and,
- (2) The Operating Variance report for the period ended June 30, 2003 be forwarded to the Policy & Finance Committee for consideration.

## Comments:

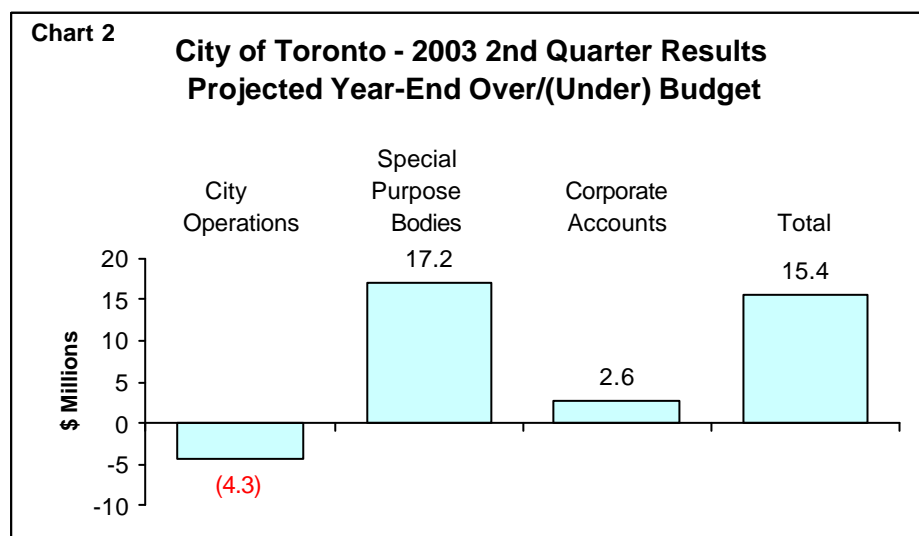
### Overview

The June 30, 2003 Operating Variance report shows a net year-to-date favourable variance of \$15.5 million or 1.1 percent. A significant component of the under expenditure is due to lower than planned spending. In addition, revenues have been under-achieved. As shown on Chart 1,

City Operations ended the year's first six months with a net under expenditure of \$33.0 million or 4.3 percent. Corporate Accounts were over spent by \$9.4 million and Special Purpose Bodies reported a net over expenditure of \$8.1 million.



The consolidated year-end position is projected to be unfavourable by \$15.4 million (see Chart 2). City Operations project a budget surplus at year-end of \$4.3 million due to under expenditures in several programs. Special Purpose Bodies are projecting an unfavourable variance at year-end of \$17.2 million due primarily to SARS related revenue shortfalls at the Toronto Zoo, Exhibition Place, Theatres and Toronto Transit Commission. Projections indicate that Corporate Accounts will be over budget at year-end by \$2.6 million due to under achieved revenues in PIL levies and Tax Penalties.



Extraordinary Items – SARS related Costs

While Public Health and EMS were at the forefront in the City’s response to the SARS medical emergency, other City Programs and ABCs were also adversely affected (i.e. Toronto Zoo, TTC, Theatres, Parks and Recreation, Exhibition Place, TRCA, Toronto Parking Authority, Economic Development, etc.).

SARS impacted many City Programs and ABCs through increased expenditures and/or reduced revenues. These impacts have been isolated and recorded in the Non Program Accounts. However, City Programs and ABCs are still in the process of reconciling the SARS expenditures posted directly to program accounts. Therefore, certain minor expenditures may still be transferred to the Non Program accounts.

As detailed in the ‘**Status of SARS Expenses and Recoveries as of June 30, 2003**’ report to BAC, the Ministry of Health and Long Term Care (MOLTC) is reimbursing 100 percent of “incremental and extraordinary costs” for Public Health, Homes for the Aged and EMS. Similarly, the Ministry of Municipal Affairs and Housing (MMAH) is reimbursing 100 percent of “incremental and extraordinary costs” for all other City Programs and ABCs that supported the public health emergency. The provincial funding programs do not fund revenue losses due to the economic impact of SARS or costs incurred to support the City’s SARS economic recovery.

Preliminary projections to year-end indicate that total costs and revenue losses related to the SARS public health emergency (recoverable and unrecoverable) will be approximately \$29.9 million (see Table A below).

Table A			
SARS Impact	Expenditures	Revenue Losses	Total
<b>Recoverable</b>			
To June 30, 2003 (received \$6.1 million to date)	10.6	0.0	10.6
Projected June 30 to December 31, 2003	0.0	0.0	0.0
	<u>10.6</u>	<u>0.0</u>	<u>10.6</u>
<b>Unrecoverable</b>			
To June 30, 2003	2.5	6.3	8.8
Projected June 30 to December 31, 2003	0.0	10.5	10.5
	<u>2.5</u>	<u>16.8</u>	<u>19.3</u>
<b>Total SARS Impact</b>	<u>13.1</u>	<u>16.8</u>	<u>29.9</u>

As of June 30, 2003, the City’s recoverable costs related to SARS were \$10.6 million, of which \$6.1 million has been funded by the Province (to August 15, 2003). In addition, Public Health has incurred \$2.5 million in SARS related base salary costs which are not recoverable from the Province. The City has also lost an estimated \$6.3 million in revenues for a total of \$8.8 million unrecoverable from the Province.

Additional revenue losses of \$10.5 million are projected to year-end, which will result in an overall net unfavourable impact of SARS on the 2003 Operating Budget of \$19.3 million.

Extraordinary Items – Power Outage related Costs

The recent power outage impacted many City Programs and ABCs through reduced revenues and/or increased expenditures (ie. staff costs for overtime or stand-by / call-in requirements). Staff are compiling information related to reduced revenues and/or increased expenditures associated with the power outage. A preliminary report will be available in early September 2003 and detailed information will be included in the third quarter operating variance report.

Discussion of significant individual Department/Program variances as presented in Appendices A, B and C follows below:

(1) Community and Neighbourhood Services (CNS)

CNS reported a year-to-date net under expenditure of \$9.6 million or 3.4 percent, and anticipates a budget surplus of \$0.6 million at year-end.

		Net Variances (\$ Millions)	
		June, 2003 Over/(Under)	Projected YE 2003 Over/(Under)
(a)	Children's Services	(3.6)	0.0
(b)	Homes for the Aged	(3.4)	0.0
(c)	Shelter, Housing & Support	(1.8)	(0.6)
(d)	Social Development & Administration	(0.1)	0.0
(e)	Social Services	(0.7)	0.0
Total Variance		(9.6)	(0.6)

Children's Services showed favourable gross and net expenditure variances of \$20.8 million (13.3 percent) and \$3.6 million (11.4 percent), respectively. The gross expenditure variance is largely attributed to under spending in Purchased Childcare. This is due to lower than budgeted service levels resulting from lower than estimated Provincial funding.

Year-to-date, Homes for the Aged reported a net favourable variance of \$3.4 million or 27.4 percent. This is attributable to the redevelopment of True Davidson Acres and Wesburn Manor, as related expenditures and transition costs which will not be incurred until the fourth quarter of 2003 when the division will return to operating at full capacity.

The year-to-date net favourable variance of \$1.8 million in Shelter, Housing & Support is primarily due to reductions in expenditures and revenues resulting from lower than budgeted volume of clients in Hostel Services. At June 30, 2003, Hostel Services had a 15% decline in demand for hostel bed nights compared to the 2003 budget forecast. By year-end, Hostel Services is projecting a bed night decline which will result in a net favourable variance of \$0.6 million.

At its meeting of July 22-24, 2003, Council decided that the additional funding of \$1.1 million required to maintain 500 child care spaces to year-end will be offset by: under expenditures within the Children's Services' 2003 Operating Budget first; then under expenditures within the CNS department's 2003 Operating Budget; and, if additional funding is still required, CNS reserve funds will be utilized. Given that Children's Services is projecting to have a balanced budget at year-end, it is anticipated that the Shelter, Housing & Support estimated year-end surplus of \$0.6 million will be used to offset this additional funding requirement.

(2) Works and Emergency Services (WES)

WES reported a year-to-date net under expenditure of \$5.6 million or 1.9 percent, and anticipates a budget surplus of \$0.8 million at year-end.

Table 2		Net Variances (\$ Millions)	
		June, 2003	Projected YE 2003
		Over/(Under)	Over/(Under)
(a)	Emergency Medical Services	1.9	1.3
(b)	Emergency Preparedness Management	(0.4)	0.0
(c)	Solid Waste Management	(4.8)	(1.4)
(d)	Fire Services	(4.3)	(0.7)
(e)	Transportation	(2.5)	0.0
(f)	Works - Support Services	2.4	0.0
(g)	Works - Technical Services	2.0	0.0
<b>Total Variance</b>		<b>(5.6)</b>	<b>(0.8)</b>

EMS has reported a net over expenditure for both the second quarter (\$1.9 million) and year-end (\$1.3 million). Provincial funding is provided on eligible expenditures only as based on a provincial formula. Items such as the Armstrong labour arbitration award of a 5% wage increase are not fully covered by the formula, thus resulting in the revenue shortfall.

For the second quarter, Solid Waste Management reported a favourable net expenditure variance of \$4.8 million or 7.2 percent. This variance was largely due to lower tonnage of waste disposed in Michigan and delays in starting both the Mixed Waste Processing Facility and the Single Stream Material Recovery Facility. As well, the realization of actual transfer station revenues differs from the distribution pattern assumed in the budget. The year-end net favourable variance of \$1.4 million is mainly due to lower than budgeted tonnage disposed in Michigan.

Fire Services reported an under expenditure of \$4.3 million or 3.6 percent for the second quarter. The under expenditure is partially due to: delays in purchasing uniforms; salaries / benefits COLA from 2002 and 2003 not yet awarded as negotiations have been delayed; and, revenues for false alarms and elevator calls exceeding the budget. The increased revenues will contribute to a year-end net favourable variance of \$0.7 million.

The year-to-date under spending of \$2.5 million or 2.7 percent in Transportation is mainly attributed to delays in receiving invoices for contracted services and weather conditions which delayed utility cut repair work and spring/summer maintenance work. This program expects to be on target by year-end.

Both Support Services and Technical Services reported over expenditures at June 30, 2003 due to delays in processing Inter-departmental Recoveries. These programs will be balanced by year-end.

(3) Economic Development, Culture and Tourism (EDCT)

Year-to-date, EDCT was under spent by \$9.3 million or 10.9 percent, which is mainly attributable to Parks & Recreation.

Table 3			
Net Variances (\$ Millions)			
		June, 2003	Projected YE 2003
		Over/(Under)	Over/(Under)
(a)	Culture	0.1	0.0
(b)	Customer & Business Support	(0.4)	0.0
(c)	Economic Development	(0.7)	0.0
(d)	Parks & Recreation	(7.7)	0.4
(e)	Tourism	(0.6)	0.0
Total Variance		(9.3)	0.4

Parks & Recreation has under spent its second quarter budget largely due to the 2002 accrued liability relating to the Toronto District School Board (\$5.4 million) that has not yet been paid. The projected net unfavourable variance of \$0.4 million in Parks and Recreation at year-end is attributable to reduced recreation revenues resulting from SARS. Parks and Recreation will continue to monitor revenue losses from permit fees, concession sales, etc. as a result of SARS.

(4) Urban Development Services (UDS)

For the second quarter, UDS reported a favourable net variance of \$5.3 million mainly due to higher than budgeted staff vacancies (\$2.7 million) and patterns different from the budget calendarization for both non-salary expenditures (\$1.4 million) and realization of revenues (\$1.2 million). The staff vacancies will result in a favourable net variance of \$1.0 million at year-end.

Table 4			
Net Variances (\$ Millions)			
		June, 2003	Projected YE 2003
		Over/(Under)	Over/(Under)
Urban Development Services		(5.3)	(1.0)
Total Variance		(5.3)	(1.0)

(5) Corporate Services

Corporate Services was under spent by \$1.7 million or 2.4 percent at the end of the second quarter. The Department is projecting a net favourable variance of \$0.8 million or 0.6 percent at year-end.

Table 5			
		Net Variances (\$ Millions)	
		June, 2003	Projected YE 2003
		Over/(Under)	Over/(Under)
(a)	City Clerk's	(0.7)	(0.4)
(b)	Court Services	(0.7)	0.0
(c)	Services Improvement & Innovation	(0.2)	(0.2)
(d)	Corporate Communications	0.0	0.1
(e)	Facilities & Real Estate	(0.1)	0.0
(f)	Fleet Services	2.5	0.0
(g)	Human Resources	0.9	0.0
(h)	Information & Technology	(2.2)	0.0
(i)	Legal	(1.2)	(0.2)
Total Variance		(1.7)	(0.8)

Fleet Services reported a net unfavourable variance of \$2.5 million for the first half of 2003. This is due to a delay in assigning maintenance costs to specific work orders so that all Inter-departmental Recoveries are processed. The program will have a balanced budget at year-end.

The Human Resources year-to-date net unfavourable variance of \$0.9 million is primarily due to; salaries/benefits expenditures different from the budget; increased software license fees; and, more grievance proceedings than expected. At year-end, Human Resources is projected to be on target.

Delays in the processing of Inter-departmental Charges resulted in Information and Technology's net favourable variance of \$2.2 million at June 30, 2003. The budget will be balanced at year-end. Legal Services had a year-to-date net under expenditure of \$1.2 million due to greater staff vacancies than budgeted. A favourable year-end variance of \$0.2 million is estimated.

(6) Finance

For the quarter ended June 2003, the Finance Department was under budget by \$0.1 million or 0.3 percent and is projecting a year-end net under expenditure of \$0.2 million or 0.4 percent.

Table 6			
		Net Variances (\$ Millions)	
		June, 2003	Projected YE 2003
		Over/(Under)	Over/(Under)
Finance		(0.1)	(0.2)
Total Variance		(0.1)	(0.2)

(7) Other

The Council Budget is reported as having a favourable variance of \$0.6 million for the period ended June 2003, and is projecting a year-end net under expenditure of \$1.1 million or 6.3 percent. This is primarily due to some Councillors not spending their full office budget allocation and/or employing less than the 3 approved positions each.

Table 7			
		Net Variances (\$ Millions)	
		June, 2003	Projected YE 2003
		Over/(Under)	Over/(Under)
(a)	Auditor General's Office	(0.2)	(0.0)
(b)	Chief Administrator's Office	(0.3)	(0.3)
(c)	Council	(0.6)	(1.1)
(d)	Mayor's Office	(0.2)	0.0
Total Variance		(1.4)	(1.5)

(8) Special Purpose Bodies

Year-to-date, Special Purpose Bodies collectively reported an unfavourable net variance of \$8.1 million or 1.7 percent. The Toronto Public Library was over spent by \$0.7 million due largely to underachievement in the salary gapping target and actual benefit rates higher than budgeted. The net over expenditure at the Toronto Transit Commission of \$6.4 million, due primarily to lower ridership revenues (\$2.1 million related to SARS), was the largest contributor to the second quarter unfavourable variance. SARS related revenue losses were also reported by other Special Purpose Bodies: Exhibition Place (\$0.5 million); Theatres (\$1.3 million); and, the Toronto Zoo (\$1.0 million).

At year-end, projections indicate that Special Purpose Bodies will be over spent by \$17.2 million. SARS related revenue losses are projected in Exhibition Place (\$0.5 million); the Theatres (\$1.7 million); and, the Toronto Zoo (\$3.6 million). In addition, the Toronto Police Services is projecting an over expenditure of \$0.6 million at year-end due primarily to increased staffing costs. Circumstances that contributed to this unfavourable variance include overtime in conducting recent high profile investigations and non-budgeted premium pay costs to staff at the Downsview Park (SARS) concert.

The TTC revenues are projected to be under budget by \$10.7 million at year-end (including a SARS related revenue loss of \$9.6 million due to 6 million lost rides). However, the City and TTC will consider options to mitigate the revenue losses to ensure a balanced budget at year-end through expenditure reductions. These options include, but are not limited to, reducing operating budget contributions to capital which would increase debt financing and future debt charges.

Public Health is projected to have a net unfavourable variance of \$1.2 million at year-end. Council approved total costs of approximately \$2.5 million gross (with 100% funding by the Province) for the enhanced West Nile Virus budget, however the Province has not confirmed full

funding of the WNV program. Public Health will be in a better position to address this unfavourable year-end variance in the third quarter operating variance report.

Table 8		
	Net Variances (\$ Millions)	
	June, 2003	Projected YE 2003
	Over/(Under)	Over/(Under)
(a) Toronto Public Health	0.1	1.2
(b) Toronto Public Library	0.7	0.0
(c) Association of Community Centres	0.0	0.0
(d) Exhibition Place	0.6	0.8
(e) Theatres	0.1	0.4
(f) Toronto Zoo	0.8	3.3
(g) Arena Boards of Management	(0.3)	0.0
(h) Yonge/Dundas Square	(0.0)	0.1
(i) Toronto Region Conservation Authority	0.0	0.0
(j) Toronto Transit Commission (to May 31, 2003)	6.4	10.7
(k) Toronto Police Services & TPS Board	(0.3)	0.6
Total Variance	8.1	17.2

(9) Corporate Accounts

Year-to-date, Corporate Accounts were over spent by \$9.4 million on a net basis. This is primarily due to budget calendarization issues in the OMERS Surplus, Supplementary Taxes and Parking Tag Operations accounts.

Table 9		
	Net Variances (\$ Millions)	
	June, 2003	Projected YE 2003
	Over/(Under)	Over/(Under)
Consolidated Grant Program	(1.0)	0.0
Capital & Corporate Financing	0.0	0.0
Non-Program Expenditures	(8.5)	(13.2)
Non-Program Revenue	18.8	15.8
Total Variance	9.4	2.6

Projections indicate that Corporate Accounts will be over budget by \$2.6 million or 2.9 percent at December 31, 2003. This is largely due to expected revenue shortfalls in PIL levies of \$9.9 million as a result of adjustments to the PIL provision pending assessment appeals and reduced revenues of \$3.3 million in Tax Penalties resulting from improved collection activities which lowers tax receivable balances on which to earn interest. In addition, SARS related revenue losses of \$0.7 million are projected at the Toronto Parking Authority. These projected

unfavourable variances in Non-Program Revenue are largely offset by a favourable variance in Tax Deficiencies/Write-offs of \$11.8 million.

#### Consulting Costs

The total 2003 budget for consulting costs is \$6.1 million or 0.2 percent of the total City net expenditure budget (\$2.8 billion). Year-to-date consulting costs of \$1.5 million were under spent by \$0.9 million or 37.8 percent. This under expenditure was largely attributable to delays in starting consulting contracts in both CNS and UDS.

#### Approved Positions

The City budgets and monitors its staff complement based on Approved Positions. As at June 30, 2003, the City reported 43,019.7 full-time approved positions (41,640.4 permanent and 1,379.3 casual/seasonal) and 4,149.1 part-time approved positions (1,577.1 permanent and 2,572.0 casual/seasonal). This reflects a decrease of 0.9 percent from the Council Approved Positions. Principally, this occurred because not all seasonal hiring for summer months was done in the second quarter, staff reductions due to lower attendance at the Toronto Zoo and vacancies due to gapping.

#### Utility Costs

Year-to-date and year-end projected utility over expenditures are mainly a result of the unseasonably cold first quarter. As at June 30, 2003, levy operations reported quarterly utility costs of \$27.7 million (compared to a budget of \$25.8 million) and project year-end utility costs of \$56.3 million (compared to a budget of \$53.6 million).

#### Conclusion:

As summarized in Table 10, the overall expenditure level for the City of Toronto is within the approved budget for City Operations for the six-month period ended June 30, 2003. The City is not within the approved budget for Special Purpose Bodies and Corporate Accounts.

At year-end, an over expenditure of approximately \$15.4 million is projected at this time; however, the recent power outage may impact this projection unfavourably. Staff are compiling information related to the financial impact of the power outage, and a preliminary report will be available in early September 2003. Detailed information will be included in the third quarter operating variance report. The CAO and CFO will ensure that appropriate measures are taken to maintain a balanced budget.

**Table 10**

	Net Variances (\$ Millions)	
	June, 2003	Projected YE 2003
	Over/(Under)	Over/(Under)
(1) Community & Neighbourhood Services	(9.6)	(0.6)
(2) Works & Emergency Services	(5.6)	(0.8)
(3) Economic Development, Culture & Tourism	(9.3)	0.4
(4) Urban Development Services	(5.3)	(1.0)
(5) Corporate Services	(1.7)	(0.8)
(6) Finance	(0.1)	(0.2)
(7) Other	(1.4)	(1.5)
Total - City Operations	(33.0)	(4.3)
(8) Special Purpose Bodies	8.1	17.2
(9) Corporate Accounts	9.4	2.6
Sub-Total	17.5	19.8
Total Variance	(15.5)	15.4

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List of Attachments:

Appendix A – Net Expenditures  
Appendix B – Gross Expenditures  
Appendix C – Gross Revenues