

BUDGET ADVISORY COMMITTEE**AGENDA****MEETING 14**

Date of Meeting:	Monday, May 2, 2005	Enquiry:	Betty Henderson
Time:	9:30 a.m.		Administrator
Location:	Committee Room 1		416-392-8088
	City Hall		bhender1@toronto.ca
	100 Queen Street West		

Under the *Municipal Act, 2001*, the Budget Advisory Committee must adopt a motion to meet In-camera (privately) and the reason must be given.

Declarations of Interest under the *Municipal Conflict of Interest Act*

- 1. 2004 Operating Budget Variance Reports Ending August 31, 2004 and September 30, 2004 for the Toronto Police Service and Toronto Police Service Parking Enforcement Unit.**

Communication (March 31, 2005) from the Policy and Finance Committee, advising that the Committee, on March 31, 2005, referred the report (January 18, 2005) from the Chair, Toronto Police Services Board respecting the 2004 Operating Budget Variance Reports ending August 31, 2004, to the Budget Advisory Committee for information.

- 2. Response to City of Toronto Request for Information on Savings Achieved Through Civilianization Initiatives**

Report (March 29, 2005) from the Chair, Toronto Police Services Board, responding to a request by the Budget Advisory Committee for information on the savings achieved by the Toronto Police Service as a result of civilianization initiatives.

Recommendation:

It is recommended that this report be received.

3. Sale of Assets under the Purview of the Works Committee

Communication (March 8, 2005) from the Works Committee, advising that the Committee, on March 8, 2005, recommended to the Budget Advisory Committee that any future budget deliberations involving assets that are considered to be Works-related should be considered by the Works Committee, and, if necessary, a special meeting of the Works Committee be called to consider the issue; and further that this recommendation be extended to other Standing Committees.

4. Disposition of Toronto Transit Commission's Retained Earnings

Report (April 21, 2005) from the Deputy City Manager and Chief Financial Officer in response to the request by the Employee and Labour Relations Committee to consider the appropriate accounting and funding treatment of the Toronto Transit Commission (TTC) pensioner dental benefit costs and its impact on the Toronto Transit Commission's retained earnings.

Recommendations:

It is recommended that:

- (1) Council endorse the strategy of offsetting the impact of the difference between the budgeted cash flow and the accounting expense for pensioner dental benefits with a long-term subsidy payable accounts with the TTC (as per Option 2 in the report);
- (2) this strategy be incorporated into the TTC's operating budgets; and
- (3) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

5. Toronto Transit Commission - Sheppard Subway Project

(In-Camera - Litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board)

Confidential communication (April 7, 2005) from the General Secretary, Toronto Transit Commission, respecting the Sheppard Subway Project, such communication to be considered in-camera as the subject matter deals with litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board, in accordance with the *Municipal Act, 2001*.

BUDGET ADVISORY COMMITTEE**SUPPLEMENTARY AGENDA****MEETING 14**

Date of Meeting:	Monday, May 2, 2005	Enquiry:	Betty Henderson
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Communications/Reports**6. Allocation of the 2005 Non Program Amounts for the Insurance Reserve Fund**

Report (April 26, 2005) from the Deputy City Manager and Chief Financial Officer, requesting that the 2005 Non Program contribution to the Insurance Reserve Fund be reallocated to the appropriate City Program, Agency, Board or Commission operating budget through a technical adjustment to 2005 base budgets. Insurance charges in future operating budgets will be included in the budgets of each Program, Agency, Board and Commission with no further allowance in the Non Program Budget.

Recommendations:

It is recommended that:

- (1) the Non Program account of \$21.0 million for Insurance, Premiums and Claims, as contained in the 2005 budget, be allocated as outlined in Appendix "A" to this report through a technical adjustment to the City Programs, Agencies, Boards and Commissions based upon the Insurance Allocation Algorithm; and
- (2) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

**7. 2003 Expenditures for Consulting Services
Hummingbird Centre for the Performing Arts**

Report (April 27, 2005) from the Deputy City Manager and Chief Financial Officer reporting, as requested, on the reports or output produced by each of the three consultants hired, by the Hummingbird Centre for the Performing Arts, for public relations, government relations and similar categories for the year ended December 31, 2003.

Recommendation:

It is recommended that this report be received and forwarded to Council for information.

BUDGET ADVISORY COMMITTEE

ADDED STARTER AGENDA

MEETING 14

Date of Meeting:	Monday, May 2, 2005	Enquiry:	Betty Henderson
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8. City of Toronto 2006 Budget Process Directions and Guidelines

Report (April 29, 2005) from the Deputy City Manager and Chief Financial Officer requesting approval of Budget Directions and Guidelines for staff for preparation of the 2006–2010 Capital Budget and Plan, and the 2006 Operating Budget Schedule outlining the timing of the 2006 Process.

Recommendations:

It is recommended that:

- (1) the proposed 2006 Budget process as described in Appendix 1 be approved for immediate implementation;
- (2) the following Budget Directions and Targets for the 2006–2010 Capital Budget and Plan be approved as guidelines for preparation of the 2006 budget:
 - (i) subject to further review and contingent on receipt of projected Provincial and Federal gas tax revenues, the new debt targets be set at \$350 million in each of 2006 and 2007, \$336 million in 2008 and \$285 in each of 2009 and 2010;
 - (ii) the 2006 target for Capital from Current financing be established at the 2005 level of \$124 million;
 - (iii) given the significant 2006 Operating Budget estimated shortfall, Toronto Hydro Revenues (dividends and interest earnings) be used as a revenue source in the 2006 Operating Budget;

- (iv) in allocating available capital funds in 2006, priority be given first to previously approved projects already in progress, then to new Legislated, Health and Safety and State of Good Repair projects;
 - (v) new Service Improvement and Growth related projects be considered only if they satisfy Council's highest priorities and minimize debt financing; and,
 - (vi) the guideline which restricts debt charges to no more than 10 percent of the tax levy be reviewed and staff report to Budget Advisory Committee during the 2006 Budget process;
- (3) due to the unsustainable one-time revenues utilized in the 2005 Operating Budget, the following Budget Directions and Guidelines for the 2006 Operating Budget be approved:
- (i) in order to address the significant gap in funding of provincially cost-shared programs, the following measures be adopted:
 - (a) the City request that the Provincial government recognize the actual cost of emergency and community services and meet its legislated obligation to fully cost-share those services for 2006;
 - (b) the City review with the Province opportunities for service efficiencies in the administrative and reporting requirements for cost-shared programs; and
 - (c) consideration be given to service reductions and/or further draws on reserves to mitigate pressures on the City's tax base;
 - (ii) eligible revenues from the Provincial Gas Tax received in 2006 be used to fund the TTC's operating budget;
 - (iii) the City expand its current program of continuous improvement and efficiency initiatives to include service reviews and rationalization;
 - (iv) where direct users can be identified, that City user fees be set to recover the full cost of the service and be increased by the rate of inflation, while ensuring that the most vulnerable are protected; and
 - (v) services aligned to Council's highest priorities for 2006 be protected;
- (4) the Mature Budget Process described in Appendix 2 be approved for full implementation beginning in 2007/2008;

- (5) the Deputy City Manager and Chief Financial Officer and the City Clerk report back to the Budget Advisory Committee with a revised 2005 and proposed 2006 schedule of meetings that incorporates a budget schedule for the 2006 Capital and Operating Budget, such schedule to consider approval of the Capital Budget by December 31, 2005, and the Operating Budget in March 2006;
- (6) the City Manager and Deputy City Manager and Chief Financial Officer report back to the Budget Advisory Committee and the Policy and Finance Committee on a process and schedule for public consultation during the 2006 budget process;
- (7) the Chairs of Agencies, Boards and Commissions be directed to schedule their budget reviews and meetings to achieve the deadlines established in the City of Toronto 2006 Budget Schedules; and
- (8) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

9. 2004 Year-end Capital Variance Report

Report (April 29, 2005) from the Deputy City Manager and Chief Financial Officer presenting the City of Toronto Capital Variance Report for the twelve-month period ended December 31, 2004.

Recommendations:

Table 1 Corporate Capital Variance Summary For the Twelve Month Period Ended December 31, 2004 (\$000's)			
	2004		
	Approved Budget	Actuals to Dec. 31	% Spent
Tax Supported	1,180,713	799,362	67.7%
Rate Supported	283,435	198,569	70.1%
Total	1,464,148	997,931	68.2%

It is recommended that:

- (1) the TTC funding shortfall of \$79.1 million resulting from less than budgeted funding support from the other orders of government (\$76.8 million) and additional Sheppard Subway related expenditures (\$2.3 million) be financed from debt;

- (2) additional funding of \$0.657 million for the North York City Centre Parkland Acquisition Project (CPR101-5) be approved from the Parkland Acquisition Reserve Fund (North York Local, XR2041);
- (3) the technical adjustments detailed in Appendix 2 of this report, with no impact on the 2004 cash flow and debt financing, be approved;
- (4) the 2004 Capital Variance Report be forwarded to Policy and Finance Committee and Council for its consideration; and
- (5) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

10. 2004 Reserves and Reserve Funds Year End Variance Report

Report (April 27, 2005) from the Deputy City Manager and Chief Financial Officer providing information on reserve and reserve fund balances as at December 31, 2004 and activity and budget variances for reserves and reserve funds during the year ended December 31, 2004.

Recommendation:

It is recommended that the Final Variance Report for Reserves and Reserve Funds for the year ended December 31, 2004 be forwarded to the Policy and Finance Committee and Council for information.