

THE CITY OF TORONTO

City Clerk's Office

To be confirmed

Minutes of the Budget Advisory Committee

Meeting 14

**Monday, May 2 and
Wednesday, May 4, 2005**

The Budget Advisory Committee met on Monday, May 2 and Wednesday, May 4, 2005, in Committee Room 1, City Hall, Toronto, commencing at 9:30 a.m. and 8:30 a.m., respectively.

Members Present

Members were present for some or all of the time period indicated.

	May 2, 2005 9:30 a.m. to 12:50 p.m.	May 4, 2005 8:30 a.m. to 9:26 a.m.
Councillor David Soknacki, Chair	X	X
Councillor Joe Mihevc, Vice Chair	X	X
Councillor Jane Pitfield, Vice Chair	X	X
Councillor Shelley Carroll	X	X
Councillor Peter Milczyn	X	X
Councillor Kyle Rae	X	X
Councillor Sylvia Watson	X	X

Also Present:

Councillor Janet Davis	Councillor Mike Del Grande
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Confirmation of Minutes

On motion by Councillor Mihevc, the Minutes of the meetings held on January 24, 25, 26, 27, 28, 31 February 4, 7, 10 and 22, 2005, were confirmed.

14.1 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

The Budget Advisory Committee considered a 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.

Councillor Soknacki appointed Councillor Pitfield Acting Chair and vacated the Chair.

On motion by Councillor Soknacki , the Budget Advisory Committee:

- (1) recommended to the Policy and Finance Committee that City Council request the Deputy City Manager and Chief Financial Officer to work with the Toronto Police Services Board and the City Clerk so that the Budget Advisory Committee receives Variance Reports in a more timely manner from the Toronto Police Service and Parking Enforcement Unit; and
- (2) received the communication.

Councillor Soknacki resumed the Chair.

(Policy and Finance Committee – May 4, 2005)

14.2 Response to City of Toronto Request for Information on Savings Achieved Through Civilianization Initiatives

The Budget Advisory Committee considered a 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.

Councillor Soknacki appointed Councillor Pitfield Acting Chair and vacated the Chair.

On motion by Councillor Soknacki , the Budget Advisory Committee:

- (1) recommended to the Policy and Finance Committee and City Council that the Toronto Police Services Board be requested to provide to the Budget Advisory Committee a year-by-year breakdown of the number of positions that have been civilianized since 1998 and the potential for further civilianization; and
- (2) received the report.

Councillor Soknacki resumed the Chair.

(Policy and Finance Committee – May 4, 2005)

14.3 Sale of Assets under the Purview of the Works Committee

The Budget Advisory Committee considered a 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.

Councillor Mike Del Grande, Ward 39 Scarborough-Agincourt, appeared before the Budget Advisory Committee.

Councillor Soknacki appointed Councillor Pitfield Acting Chair and vacated the Chair.

- A. Councillor Soknacki moved that the Budget Advisory Committee recommend to the Policy and Finance Committee that City Council adopt the following recommendation:

“The Budget Advisory Committee inform Standing Committees as soon as possible if the Committee makes recommendations concerning extraordinary transactions in assets typically within the purview of that Standing Committee.”

(Carried)

Councillor Soknacki resumed the Chair.

- B. Councillor Mihevc moved that the Budget Advisory Committee receive the communication.

(Carried)

(Policy and Finance Committee – May 4, 2005)

14.4 Disposition of Toronto Transit Commission's Retained Earnings

The Budget Advisory Committee considered a 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.

On motion by Councillor Rae, the Budget Advisory Committee recommended to the Policy and Finance Committee that City Council adopt the staff recommendations in the Recommendations Section of report.

(Policy and Finance Committee – May 4, 2005)

14.5 Toronto Transit Commission - Sheppard Subway Project

The Budget Advisory Committee considered a 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*.

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The Budget Advisory Committee recessed at 9:15 a.m. to meet in-camera, with the following Members in attendance:

Members Present:

Councillor David Soknacki, Chair
Councillor Joe Mihevc, Vice-Chair
Councillor Jane Pitfield, Vice-Chair
Councillor Shelley Carroll
Councillor Peter Milczyn
Councillor Jane Pitfield
Councillor Kyle Rae
Councillor Sylvia Watson

The Budget Advisory Committee adjourned its private meeting at 9.25 a.m. and immediately reconvened in public session with the aforementioned Members in attendance.

On motion by Councillor Watson, the Budget Advisory Committee requested the Toronto Transit Commission to provide further information respecting the subject matter to the Budget Advisory Committee meeting on May 4, 2005.

14.6 Allocation of the 2005 Non Program Amounts for the Insurance Reserve Fund

The Budget Advisory Committee considered a 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

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- (2) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Councillor Mike Del Grande, Ward 39 Scarborough-Agincourt, appeared before the Budget Advisory Committee.

- A. Councillor Pitfield moved that the Budget Advisory Committee recommended to the Policy and Finance Committee that City Council adopt the staff recommendations in the Recommendations Section of report (April 26, 2005) from the Deputy City Manager and Chief Financial Officer, subject to adding the following:

“the annual cost of insurance charged in City program budgets be expressed as part of Standing Committee budget discussions.”

(Carried)

- B. Councillor Watson moved that Councillor Pitfield’s motion A. be amended by adding that the Deputy City Manager and Chief Financial Officer be requested to provide an in-camera report to the Standing Committees on an annual basis on the claims that have been put forward and settlements of those claims.

(Carried)

(Policy and Finance Committee – May 4, 2005)

**14.7 2003 Expenditures for Consulting Services
Hummingbird Centre for the Performing Arts**

The Budget Advisory Committee considered a 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.

On motion by Councillor Watson, the Budget Advisory Committee received the report; and directed that it be forwarded to the Policy and Finance Committee and City Council for information.

(Policy and Finance Committee – May 4, 2005)

14.8 City of Toronto 2006 Budget Process Directions and Guidelines

The Budget Advisory Committee considered a 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:

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- (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

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- (8) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Councillor Janet Davis, Ward 31 Beaches-East York, appeared before the Budget Advisory Committee.

A. Councillor Watson moved that:

- (1) the Budget Advisory Committee recommended to the Policy and Finance Committee that City Council adopt the staff recommendations in the Recommendations Section of the report (April 29, 2005) from the Deputy City Manager and Chief Financial Officer, subject to the following amendments:

- (a) amending Recommendation (2) (iv) to read:

“(2) (iv) in allocating available capital funds in 2006, priority be given first to previously approved projects already in progress or within six months of being started, then to new Legislated, Health and Safety and State of Good Repair projects;”

- (b) amending Recommendation (3) (i) (c) to read:

“(3) (i) (c) consideration be given to service reductions in the Provincial cost-shared programs and/or further draws on related reserves to mitigate pressures on the City’s tax base;” and

- (c) adding the following new Recommendation (3) (i) (d):

“(3) (i) (d) that the City request the Province to offset the outstanding Provincial shortfall of over 200 million in cost-shared programs accumulated from amalgamation to 2004 against the amalgamation loan of approximately 180 million owed by the City to the Province;” and

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- (2) requested the Deputy City Manager and Chief Financial Officer to report to the Budget Advisory Committee in June 2005 on the Capital targets for each of the City's programs and ABC's, within the affordability debt guidelines.

(Carried)

- B. Councillor Mihevc moved that Councillor Watson's motion A.(1) be amended by amending Recommendation (3)(iv) by adding the following:

“(3)(iv) ... and further that a separate, consolidated report on proposed user fees for each department be considered at the Budget Advisory Committee and Standing Committees, such report to consider how the policy of ensuring that the vulnerable are protected will be implemented.”

(Carried)

- C. Councillor Milczyn moved that the Deputy City Manager and Chief Financial Officer be requested to provide a revised five year forecast for Cash Flow Manageable Financing graph that will also indicate costs in projected actual future year dollars and provide an analysis on the growing funding shortfall which will occur.

(Carried)

(Policy and Finance Committee – May 4, 2005)

The Budget Advisory Committee recessed at 12:50 p.m.

The Budget Advisory Committee reconvened at 8:30 a.m. on May 4, 2005, with the following Members in attendance:

Members Present:

Councillor David Soknacki, Chair
Councillor Joe Mihevc, Vice-Chair
Councillor Jane Pitfield, Vice-Chair
Councillor Shelley Carroll
Councillor Peter Milczyn
Councillor Jane Pitfield
Councillor Kyle Rae
Councillor Sylvia Watson

14.9 2004 Year-End Capital Variance Report

The Budget Advisory Committee considered a 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.

On motion by Councillor Pitfield, the Budget Advisory Committee recommended to the Policy and Finance Committee that City Council adopt the staff recommendations in the Recommendations Section of the report.

(Policy and Finance Committee – May 4, 2005)

14.10. 2004 Reserves and Reserve Funds Year End Variance Report

The Budget Advisory Committee considered a 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.

On motion by Councillor Pitfield, the Budget Advisory Committee recommended to the Policy and Finance Committee that City Council adopt the staff recommendations in the Recommendations Section of report.

(Policy and Finance Committee – May 4, 2005)

14.11 2004 Year-End Operating Variance Report

The Budget Advisory Committee considered a report (May 2, 2005) from the Deputy City Manager and Chief Financial Officer, forwarding the City of Toronto Final Operating Variance report for the year ended December 31, 2004.

Recommendations:

It is recommended that:

- (1) the \$5.837 million 2004 Operating Surplus be transferred to the City's Capital Financing Reserve (in accordance with City policy) to fund 2005 TTC bus purchases;
- (2) funding of \$0.238 million for outstanding 2004 TRCA levy payments be made from the 2004 Operating Surplus;

- (3) Council authorize the City's contribution of \$0.143 million to Exhibition Place to settle the outstanding 2003 Royal Agricultural Winter Fair payment and that this payment be funded from the 2004 Operating Surplus;
- (4) the Deputy City Manager and Chief Financial Officer be authorized to settle all Special Purpose Body 2004 and prior year-end deficits, as reported in the Final Year-end Variance Report, through the 2004 Operating Surplus and that the Deputy City Manager and Chief Financial Officer report back to the Budget Advisory Committee on any incremental funding from or contributions to the Working Capital Reserve should the final audited Special Purpose Body financial statements indicate year-end variances different from those represented in this report;
- (5) this 2004 Year-End Operating Variance report be forwarded to the Policy and Finance Committee and Council for their consideration; and
- (6) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

On motion by Councillor Carroll, the Budget Advisory Committee recommended to the Policy and Finance Committee that City Council adopt the staff recommendations in the Recommendations Section of report.

(Policy and Finance Committee – May 4, 2005)

14.5 Toronto Transit Commission - Sheppard Subway Project

The Budget Advisory Committee again considered a 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*.

The Budget Advisory Committee recessed at 9:15 a.m. to meet in-camera, with the following Members in attendance:

Members Present:

Councillor David Soknacki, Chair
Councillor Joe Mihevc, Vice-Chair
Councillor Jane Pitfield, Vice-Chair

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Councillor Shelley Carroll
Councillor Peter Milczyn
Councillor Jane Pitfield
Councillor Kyle Rae
Councillor Sylvia Watson

The Budget Advisory Committee adjourned its private meeting at 9.25 a.m. and immediately reconvened in public session with the aforementioned Members in attendance.

On motion by Councilor Watson the Budget Advisory Committee recommended to the Policy and Finance Committee that City Council adopt the Recommendations contained in the confidential communication (April 7, 2005) from the General Secretary, Toronto Transit Commission, as amended by the Budget Advisory Committee, respecting the Sheppard Subway Project, which was forwarded to Members of Council under confidential cover; and further that in accordance with the *Municipal Act*, discussions pertaining thereto be held 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*.

(Policy and Finance Committee – May 4, 2005)

The Budget Advisory Committee adjourned its meeting at 9:26 a.m.

Chair