

Budget Committee

Meeting No.	11 (Special)	Contact	Merle MacDonald, Committee Administrator
Meeting Date	Thursday, April 12, 2007	Phone	416-392-7340
Start Time	9:30 AM	E-mail	mmacdona@toronto.ca
Location	Committee Room 2, City Hall		

Budget Committee		
Councillor Shelley Carroll (Chair) Councillor Paul Ainslie (Vice-Chair) Councillor Maria Augimeri	Councillor A. A. Heaps Councillor Joe Mihevc	Councillor Gord Perks Councillor Kyle Rae

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

Communications/Reports

BU11.1	ACTION			Ward: All
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2007 Recommended Operating Budget

(April 11, 2007) report from City Manager and Deputy City Manager and Chief Financial Officer

Recommendations

The Budget Committee (BC) recommends that Council approve:

1. the 2007 Budget Committee Recommended Tax Supported Operating Budget of \$7.797 gross and \$3.221 billion net, comprised of the following:
 - (i) a Recommended Base Budget of \$7.746 billion gross and \$3.206 billion net as detailed in Appendix 1; and
 - (ii) New and Enhanced Services Budget of \$51.268 million gross and \$14.448 million net, as detailed in Appendix 1;
2. the 2007 Budget Committee Recommended Operating Budget for the Toronto Parking Authority totalling \$57.805 million;
3. a residential property tax increase of 3.8% or \$49.114 million and a Commercial, Industrial, and Multi-residential tax increase of 1.267% or \$23.504 million;
4. the increases in user fees and charges included in the 2007 BC Recommended Operating Budgets of City Programs, Agencies, Boards and Commissions;
5. the use of reserves and reserve funds totalling \$131.266 million as a source of funds to balance the 2007 Budget Committee Recommended Operating Budget;
6. require the Province of Ontario to pay for the 2007 funding deficit of \$71 million resulting from unilateral provincial ‘capping’ of Ontario Works - Cost of Administration (\$29.3 million); Shelter Per Diem (\$29.1 million); and, Child Care services which was not indexed to inflation and has been frozen at levels established in 1995 (\$13 million);
7. the Program Recommendations for City Programs, Agencies, Boards and Commissions as detailed in Appendix 3;
8. 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 2007 budget review meetings; and
9. authorize and direct the appropriate City Officials to take the necessary action to give

effect thereto.

Summary

The purpose of this report is to present the 2007 Budget Committee (BC) Recommended Operating Budget for City Programs, Agencies, Boards and Commissions, and to request Council's approval of the services, service levels and spending plans proposed therein.

The 2007 Recommended Operating Budget totals \$7.797 billion gross and \$3.221 billion net. To deliver services approved by City Council in 2006 this budget includes a base budget of \$7.746 billion gross and \$3.206 billion net. Compared to 2006, the 2007 BC Recommended Base Budget reflects a gross expenditure increase of \$139.343 million or 1.8%. This confirms that expenditures have been contained through the City's continuous improvement and efficiency initiatives. In addition, investments in new and enhanced services that are aligned to Council priorities and the Mayor's mandate total \$51.268 million gross and \$14.448 million net.

In accordance with Executive Committee guidelines and directions, the 2007 Recommended Operating Budget continues the strategic process of balancing short-term needs against long-term objectives. Furthermore, it sets the framework for implementing Council's policy agenda and the Mayor's commitment to a prosperous, inclusive city that is safe, economically strong, clean and green, transit friendly, creative and a place where everyone has a chance to succeed. This budget maintains service levels needed by residents and businesses. As has been the case in prior years, on average, more than 60% of property tax revenue is earmarked to pay for police, fire, emergency medical services, transit, garbage collection and recycling, libraries, parks and roads – services that impact the quality of life of residents.

Notwithstanding significant efficiency savings and productivity increases achieved during the past three years, recurring revenues continue to be insufficient to fund expenditures and essential reserve and reserve fund contributions. For the most part, the 2007 revenue deficit has been driven by the City's obligation to pay for under-funded provincially mandated services from the property tax base. As a result, to balance the 2007 Operating Budget the City has had to rely on unsustainable, one-time revenues including reserve / reserve fund draws of \$211 million. These one time revenues will contribute to a beginning revenue shortfall / pressure in 2008.

Background Information

Staff Report - Operating Budget

(<http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-2859.pdf>)

Appendix 1 - Operating

(<http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-2860.pdf>)

Appendix 2 - Operating

(<http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-2861.pdf>)

Appendix 3 - Operating

(<http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-2862.pdf>)

BU11.2	ACTION			Ward: All
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2006 Preliminary Year-end Operating Variance Report

(April 11, 2007) report from Deputy City Manager and Chief Financial Officer

Recommendations

The Deputy City Manager and Chief Financial Officer recommends that:

1. Council approve the allocation of the 2006 preliminary net operating surplus of \$81.429 million to City reserve funds in accordance with City approved policy as follows: Capital Financing Reserve Fund (\$74.458 million), Capital Financing Reserve Fund (\$2.971 million) for future TTC bus purchases, and TTC Stabilization Reserve Fund (\$4.000 million) for an employee benefit liability provision;
2. Council approve the allocation of the 2006 extraordinary item (property tax credits unclaimed for three or more years) of \$49.000 million to the City's Capital Financing Reserve Fund in accordance with City approved policy;
3. Council approve the technical adjustments made to amend the 2006 Council Approved Operating Budget between Programs to ensure accurate accountability and reporting (no increase to the overall 2006 Council Approved Operating Budget) as detailed in Appendix D;
4. the Budget Committee forward this Operating Variance Report to the Executive Committee for its consideration; and
5. Council authorize and direct the appropriate City Officials to take the necessary action to give effect thereto.

Financial Impact

Net operating expenditures for the twelve-month period ended December 31, 2006 were \$81.4 million or 1.1% less than the 2006 Council Approved Gross Operating Expenditure Budget. The 2006 net operating surplus was attributed to a combination of lower than planned expenditures and higher than budgeted revenues in areas which are detailed in the 'Comments' section of this report.

In addition, the City reported an extraordinary revenue item of \$49.0 million representing all property tax credits unclaimed for three or more years (i.e. 2002 and prior). In 2006, after consultation with the City's external auditors, a policy was implemented that required the transfer of unclaimed tax credits (held in the Tax Repayment account for a minimum of three years) to general revenues in the fourth year. Details of the extraordinary revenue item are

contained in the 'Extraordinary Items' section of this report.

Chart 1	
2006 Preliminary Net Operating Variances	
Over/(Under)	
(\$ millions)	
(1) Citizen Centred Services "A"	8.6
(2) Citizen Centred Services "B"	(15.2)
(3) Internal Services	(3.3)
(4) City Manager	(1.9)
(5) Other City Programs	(1.2)
Total - City Operations	(13.0)
(6) Agencies, Boards and Commissions	(21.3)
(7) Corporate Accounts	(47.1)
Sub-Total	(68.4)
Total 2006 Preliminary Net Operating Variance	(81.4)

City Council's approved surplus management policy requires that any year-end surplus be applied, in priority order, to the Capital Financing Reserve Fund (75%) and the remainder to any under-funded liabilities (as detailed in the 'City Approved Surplus Management Policy' section of this report). Chart 2 outlines the recommended allocation of the 2006 year-end preliminary operating surplus in accordance with Council policy (details are contained in the '2006 Preliminary Year-end Surplus Allocation' section of this report).

Chart 2	
2006 Preliminary Net Operating Surplus	
(\$ millions)	
Preliminary Operating Surplus	81.429
Recommended Allocation per City Policy:	
Capital Financing Reserve Fund (minimum 75%)	74.458
Capital Financing Reserve Fund (TTC bus purchases)	2.971
TTC Stabilization Reserve Fund (employee benefit liability provision)	4.000
	<u>81.429</u>

Summary

The purpose of this report is to: provide the City of Toronto 2006 Preliminary Operating Variance report for the twelve-month period ended December 31, 2006; request approval of the

allocation of the 2006 preliminary operating surplus and extraordinary item (in accordance with Council policy); and, obtain approval of the technical adjustments made to amend the Council Approved Operating Budget between Program budgets to ensure accurate accountability and reporting with no increase to the overall 2006 Council Approved Operating Budget as detailed in Appendix D.

For the twelve-month period ended December 31, 2006, net operating expenditures were \$81.4 million or 1.1% lower than the 2006 Council Approved Gross Operating Expenditure Budget. In addition, the City reported an extraordinary revenue item of \$49.0 million representing all property tax credits unclaimed for three or more years (i.e. 2002 and prior - details are contained in the 'Extraordinary Items' section of this report).

The net operating surplus was attributed to several factors in City Operations and Agencies, Boards & Commissions (ABCs) including: lower than planned winter maintenance costs (mild winter weather); lower than budgeted bed night volumes in hostel services; under spending in cost shared Provincially funded health programs (to reflect the Province's 5% funding growth cap not assumed in the 2006 Budget) and delayed spending/hiring pending the final Provincial approval of Toronto Public Health's 2006 base funding for mandatory programs (received in January 2007); proceeds from a bus order settlement, lower hydro/natural gas heating costs as a result of the milder winter weather and lower than anticipated commodity price increases at the Toronto Transit Commission (TTC); and, lower than expected salary & benefit costs and higher than planned revenues at the Toronto Police Service (TPS). However, most of the net operating surplus was attributed to Corporate Accounts, including: lower tax deficiency expenditures (fewer assessment appeals filed and fewer assessment appeal reductions awarded by the Municipal Property Assessment Corporation); higher than planned Payment in Lieu of Taxes (PILs) revenue and lower provisions required for uncollectible PILs; higher than planned tax penalty revenues as outstanding receivable balances were higher throughout 2006; and, higher than budgeted investment income and Toronto Parking Authority revenues.

Background Information

Staff Report - Variance Report

<http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-2854.pdf>

Appendices A, B & C

<http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-2855.pdf>

Variance Appendix D

<http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-2856.pdf>

BU11.3	Information			Ward: All
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Preliminary Reserves and Reserve Funds Variance Report – December 31, 2006

(April 11, 2007) report from Treasurer

Summary

The purpose of this report is to provide preliminary information on reserve and reserve fund balances as at December 31, 2006 and activity in reserves and reserve funds during the year then ended.

The reserves and reserve funds balances at December 31, 2006 total \$1.7 billion (\$1.5 billion – December 31, 2005) and were projected to decline by \$244.7 million during the year resulting in a year-end balance of \$1.3 billion. The planned use of reserves and reserve funds in 2006 continues the trend in recent years to draw (on a net basis) from existing reserves and reserve funds to finance capital and operating expenditures.

Background Information

Staff Report - Reserves

(<http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-2857.pdf>)

Appendices A, B & C - Reserves

(<http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-2863.pdf>)

BU11.4	ACTION			Ward: All
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Financing of the Green Lane Landfill Site

Report to follow.

Summary

Financing of the Green Lane Landfill Site