

January 12 2007

To: Executive Committee

From: Budget Committee

Subject: 2007 Budget Schedule and Process

Recommendation:

The Budget Committee recommended to the Executive Committee that the Executive Committee direct the Budget Committee to implement the following as part of the 2007 Budget Process:

- (i) recommend annual capital and operating budgets that align services with the Mayor's mandate and Council's policy agenda;**
- (ii) ensure the efficient use of resources to deliver service results and outcomes;**
- (iii) recommend budgetary strategies to the Executive Committee; and**
- (iv) hear public presentations on behalf of the Executive Committee.**

Decision Advice and Other Information:

The Budget Committee:

- (1) adopted the 2007 Budget Meeting Schedule – Revised Appendix 1 appended to the report (January 5, 2007) from the City Manager and the Deputy City Manager and Chief Financial Officer, and circulated the Schedule to City Agencies, Boards, Commissions and Divisions with a request that, wherever possible, they avoid scheduling meetings that conflict with the prescribed meetings.

Revised Appendix 1
 Schedule of 2007 Budget Process and
 Budget Committee Regular Business Meetings

Date	Committee	Business
<u>Toronto Water Budget</u> January 8 January 10 January 12 January 26 a.m. February 5	Budget Committee Budget Committee Budget Committee Special Executive Committee * City Council	Introduce Toronto Water Budget Toronto Water Budget Hearings Toronto Water Budget Final Toronto Water Budget Toronto Water Budget
<u>Capital Budget</u> February 8 February 9 a.m. February 14 p.m. February 16 February 23 p.m. February 27 a.m. March 7	Budget Committee Budget Committee Budget Committee Budget Committee Budget Committee Special Executive Committee * Special City Council *	Introduce Capital Budget Capital Budget Hearings (Councillors/Stakeholder Groups) Capital Budget Hearings General Public) Capital Budget Wrap-up Final Capital Budget Capital Budget Capital Budget
<u>Operating Budget</u> March 19 a.m. March 20 March 21 March 22 March 26 p.m. April 3 April 11 April 19	Budget Committee Budget Committee Budget Committee Budget Committee Budget Committee Budget Committee Special Executive Committee * Special City Council *	Introduce Operating Budget Operating Budget Hearings (Councillors) Operating Budget Hearings (Stakeholder Groups) Operating Budget Hearings (General Public) Operating Budget Wrap-up Final Operating Budget Operating Budget Operating Budget
<u>Regular Business Meetings</u> January 26 p.m. February 23 April 13 May 11 June 13 July 10 September 20 October 16 November 13 December 5	Budget Committee Budget Committee Budget Committee Budget Committee Budget Committee Budget Committee Budget Committee Budget Committee Budget Committee	

* Chair / Mayor to call meetings

- (2) referred the communication (January 11, 2007) from Michael Rosenberg related to reserve/reserve funds to Finance staff for an appropriate report to the Budget Committee during the budget process.

Background:

The Budget Committee on January 12 2006, considered the following:

- (a) report (January 5, 2007) from the City Manager and Deputy City Manager and Chief Financial Officer respecting the 2007 Budget Schedule and Process.
- (b) communication (January 11, 2007) from Michael Rosenberg regarding the reserve/reserve funds.

The following Members of Council addressed the Budget Committee:

- Councillor Janet Davis, Ward 31 Beaches-East York'
- Councillor Glenn De Baeremaeker, Ward 38 Scarborough-Centre'
- Councillor Adam Giambrone, Ward 18 Davenport;
- Councillor Denzil Minnan-Wong, Ward 34 Don Valley East;
- Deputy Mayor Joe Pantalone, Ward 19 Trinity-Spadina; and
- Councillor David Shiner, Ward 24 Willowdale.

for City Clerk

Merle MacDonald/mh
Item BU2-.5

(Report dated January 5, 2007) addressed to the Budget Committee from the City Manager and Deputy City Manager and Chief Financial Officer)

Summary

The purpose of this report is to submit a revised Schedule of Meetings for the period January 1 to December 31, 2007, that accommodates the 2007 Budget Process and regular business meetings of the Budget Committee and to present a transitional 2007 Budget Process. In addition, the report seeks Council approval of the role of the Budget Committee and, in particular, authorization for the Budget Committee to hear, on behalf of the Executive Committee, public presentations and councillor issues on the 2007 budget.

In 2006, Council approved a budget process that incorporates best budget practices, principles and elements promoted by the Government Financial Officers Association. This process recognizes the role of Standing Committees to provide directions and advice to Council on services and service levels, requires Council to provide directions and guidelines up-front, and incorporates public consultation. Because of the municipal election held in November 2006, it was not possible to fully apply the approved budget process to develop the 2007 Operating Budget and 2007 – 2011 Capital Budget and Plan. As a result, this report proposes a transitional budget process with the Mayor's mandate and Council's policy agenda guiding staff and the Budget Committee in developing a balanced budget.

Recommendations:

The City Manager and Deputy City Manager and Chief Financial Officer recommend that:

- (1) Budget Committee adopt the 2007 Budget Meeting Schedule attached as Appendix 1 and circulate the Schedule to City Agencies, Boards, Commissions and Divisions with a request that, wherever possible, they avoid scheduling meetings that conflict with the prescribed meetings.
- (2) Executive Committee direct the Budget Committee to implement the following as part of the 2007 Budget Process:
 - (i) To recommend annual capital and operating budgets that align services with the Mayor's mandate and Council's policy agenda;
 - (ii) To ensure the efficient use of resources to deliver service results and outcomes;
 - (iii) To recommend budgetary strategies to the Executive Committee; and,
 - (iv) To hear public presentations on behalf of the Executive Committee.
- (3) Budget Committee forward this report to Executive Committee for its consideration.

Financial Impact

There are no financial impacts arising from the recommendations in this report.

Comments

2007 Schedule of Meeting

Schedule 1 attached sets out a revised 2007 Schedule of Meetings for City Council and its Committees from January to December 2007. Included in the Schedule are budget review and public information meetings to enable City Council and its Committees to approve the Toronto Water Budget and Water Rate Report in February 2007; the 2007 – 2011 Capital Budget and Plan in March 2007, and the 2007 Operating Budget in April 2007. The proposed schedule of meetings has limited flexibility. It accommodates, to the extent possible, the anticipated demands of the 2007 budget process changes describe later in this report and the budget review process. The revised schedule also sets out regular business meetings of the Budget Committee for 2007.

Budget Process

In 2005, Council approved a budget process that was based on sound financial principles and best budget practices. This budget process:

- Provides a longer-term view;
- Emphasizes upfront priority-setting, service reviews and public consultation to guide the budget; and,
- Focuses on linking resource allocation decisions to results and outcomes.

Staff has already made progress in moving towards this mature budget process.

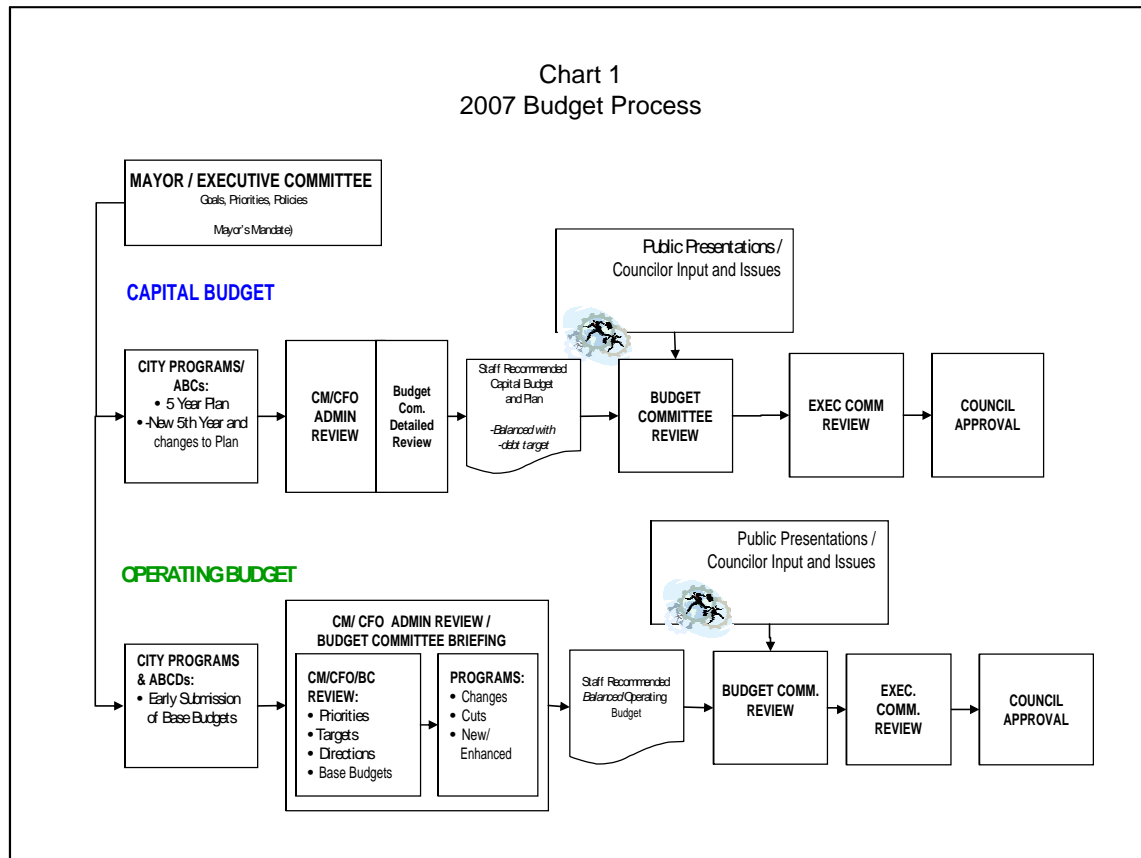
The 2006 Capital Budget was approved in December 2005, giving staff a full fiscal year to complete capital work resulting in earlier tendering, better pricing and improved completion rates. In 2007, Council will approve its first firm 5-Year Capital Plan based on debt affordability forecasts. This capital plan will provide a predictable capital investment plan for the next five years. Work is underway to transition to a multi-year operating budget approval that will include a three-year financial outlook. The City of Toronto Act gives the City new powers to approve multi-year budgets subject to annual confirmation of estimates.

The new governance model approved by Council in 2006 provides opportunities to improve fiscal management and strategic planning by ensuring that financial planning and budgetary decision-making is fully aligned with the term priorities. Toward this goal, Executive Committee, in its strategic role, will reaffirm the overall vision for the next term of Council and will realign resources based on that overall vision. And the Budget Committee will play a pivotal role by providing support and advice to the Executive Committee, Council and the Mayor on these matters.

The budget process is intended to ensure that the City's scarce resources are utilized in a manner that produces results in a responsible and measurable way. Beginning in 2007, the capital and operating budgets must represent strategic financial plans that set the framework for fulfilling Council's goals and priorities.

The 2007 Budget Process

Chart 1 below lays out the 2007 budget process. Of note is that this budget process is transitional with the Mayor and Executive Committee providing budget directions and guidelines. As will be discussed below, service reviews by Standing Committee as a precursor to Executive Committee



setting budget directions and guidelines will be introduced in the 2008 budget process. Key elements of the 2007 budget process are as follows:

- On behalf of the Executive Committee, the Mayor will provide upfront direction to bring forward recommended, balanced capital and operating budgets – budgets that implement Council’s strategic policy agenda by aligning resources to priorities; are based on sound financial management principles, and meet budgetary targets.
- Prior to finalizing the recommended budget, the Budget Committee will hold detailed reviews on individual City Program and ABC budgets to ensure that Executive Committee’s directions have been met.
- When finalized, staff will formally present a recommended budget to the Budget Committee.

- The Budget Committee, on behalf of the Executive Committee, will hold formal meetings to receive public presentations / hearings and input from councillors on any issue they may raise and, if warranted, to recommend amendments to the budget.
- The Budget Committee will recommend a balanced budget to the Executive Committee that reflects the strategic alignment of resources to Council priorities; highlights expected results and outcomes; and confirms recommended financial strategies.
- The Executive Committee's review of the budget will focus on major fiscal and policy issues and will confirm the budget as a strategic financial plan that will implement Council policies and priorities.
- On behalf of the Executive Committee, the Mayor will present the 2007 Operating Budget and 2007 – 2011 Capital Budget and Plan to City Council.

The City's Agencies, Boards and Commissions will be advised to align their budget process with the City's process.

The 2008 Process

In 2008, the role of the Standing Committees established in the mature budget process approved in 2006 will be reinstated. As well, public consultation will be held upfront to ensure that priorities reflect the needs and expectation of the citizens of Toronto. The 2008 budget process is illustrated in Chart 2 below.

Work to establish 2008 service priorities and financial targets will begin early in 2007. Guided by the Mayor's mandate, term priorities and Council's policy agenda, Standing Committees will, early in the year, review City Program and ABC service plans, assess service issues and outcomes to determine service priorities and service levels that will be recommended to Executive Committee in advance of the budget process. Other key elements of the 2008 budget process are as follows:

- Based on a multi-year financial outlook, the Budget Committee will recommend budgetary targets, directions and strategies to the Executive Committee.
- Given recommended service priorities, financial affordability and available funds, the Executive Committee will give direction and instructions to staff for the next budget cycle.

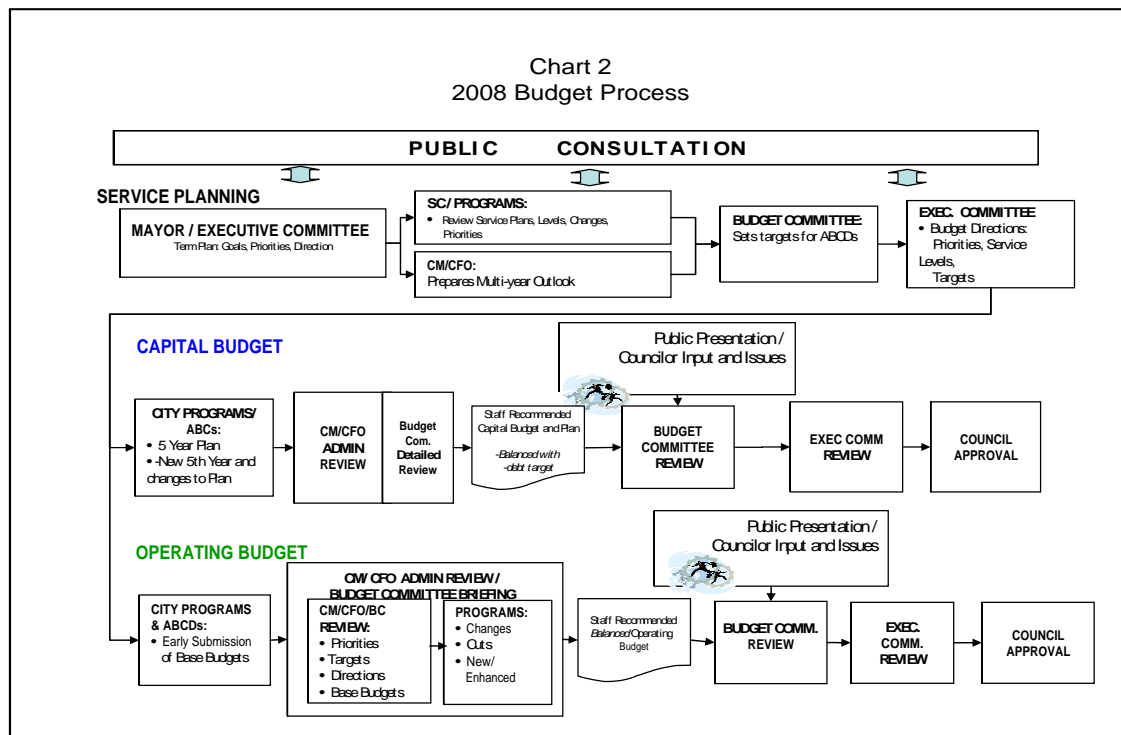
After the Executive Committee has established budget directions, targets and guidelines, the operating and capital budget processes will be the same as in 2007.

The Role of Budget Committee

The Budget Committee will play an instrumental role in supporting the Executive Committee to fulfill its responsibilities for sound, strategic financial planning and budgetary decision-making and performance. Further, the Budget Committee will support the legislative process by providing recommendations and advice on the financial implications of matters before the Executive Committee and Council.

For the budget process, the Budget Committee will:

- Recommend annual capital and operating budgets that align services with the Mayor's



mandate and Council's policy agenda;

- Ensure the efficient use of resources to deliver service results and outcomes;
- Recommend budgetary targets, guidelines, strategies to the Executive Committee; and,
- Hear public presentations on behalf of the Executive Committee.

Throughout the year, the Budget Committee will:

- Review reports with budgetary impacts;
- Monitor financial performance through quarterly variance reporting;
- Review and recommend financial planning and management policies;
- Advise Executive Committee on service policy issues with major, complex or multi-year financial implications;
- Support the Executive Committee with the integration of policy and fiscal matters in their deliberations, as requested.

The Deputy City Manager and Chief Financial Officer (DCM & CFO) will be conducting a review of the City's Financial Protocols and Financial Control By-Law during the first quarter of 2007 and will submit a report that outlines a more comprehensive and prescriptive role for the Budget Committee. Already, the process of reviewing current approved financial protocols is underway to determine the appropriate routing of reports with financial impacts, including identifying any delegation opportunities for more routine or transactional matters. Staff will make recommendations on changes to the financial protocols to foster effective routing of reports in support of timely and effective financial decision-making.

Contacts

Josie La Vita
 Director, Financial Planning Division
 Phone: 416-397-4229
 Fax: 416-397-4465
 Email: jlavita@toronto.ca
Attachment

Bert Riviere
 Manager, Financial Planning
 Phone: 416-397-4227
 Fax: 416-392-3649
 Email: briviere@toronto.ca

Revised Appendix 1 – Schedule of 2007 Budget Process and Regular Budget Committee Meeting

Date	Committee	Business
<u>Toronto Water Budget</u> January 8 January 10 January 12 January 26 a.m. February 5	Budget Committee Budget Committee Budget Committee Special Executive Committee * City Council	Introduce Toronto Water Budget Toronto Water Budget Hearings Toronto Water Budget Final Toronto Water Budget Toronto Water Budget
<u>Capital Budget</u> February 8 February 9 a.m. February 14 p.m.	Budget Committee Budget Committee Budget Committee	Introduce Capital Budget Capital Budget Hearings (Councillors/Stakeholder Groups) Capital Budget Hearings (General Public)

February 16 February 23 p.m. February 27 a.m. March 7	Budget Committee Budget Committee Special Executive Committee * Special City Council *	Capital Budget Wrap-up Final Capital Budget Capital Budget Capital Budget
<u>Operating Budget</u> March 19 a.m. March 20 March 21 March 22 March 26 p.m. April 3 April 11 April 19	Budget Committee Budget Committee Budget Committee Budget Committee Budget Committee Budget Committee Special Executive Committee * Special City Council *	Introduce Operating Budget Operating Budget Hearings (Councillors) Operating Budget Hearings (Stakeholder Groups) Operating Budget Hearings (General Public) Operating Budget Wrap-up Final Operating Budget Operating Budget Operating Budget
<u>Regular Business Meetings</u> January 26 p.m. February 23 April 13 May 11 June 13 July 10 September 20 October 16 November 13 December 5	Budget Committee Budget Committee Budget Committee Budget Committee Budget Committee Budget Committee Budget Committee Budget Committee Budget Committee Budget Committee	

* Chair / Mayor to call meetings