STAFF REPORT
ACTION REQUIRED

2007 Final Year-end Operating Variance Report

Date:	June 11, 2008
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2008\Internal Services\FP\bc08008Fp (AFS#6962)

SUMMARY

The purpose of this report is to provide the City of Toronto 2007 Final Operating Variance report for the twelve-month period ended December 31, 2007 and to request approval for the disposition of the additional 2007 final operating surplus. This variance report was prepared using audited accounting information for the year ended December 31, 2007.

The 2007 Preliminary Year-End Operating Variance report dated February 29, 2008 reflected a surplus of $94.816 million prior to completion of the 2007 year-end audit. For the year ended December 31, 2007, the final operating surplus is $95.137 million. This results in an uncommitted additional surplus of $0.321 million. This report recommends that Council approve this amount as contribution to the Capital Financing Reserve Fund.

Chart 1

City of Toronto
2007 Operating Surplus - vs Final Audited
($ millions)

	Preliminary	Final	Additional Surplus
Total City Operations	(34.454)	(34.527)	(0.073)
Total Agencies, Boards and Commissions	(19.112)	(22.540)	(3.428)
Total Corporate Accounts	(41.250)	(38.070)	3.180
Final Year-end Surplus	(94.816)	(95.137)	(0.321)

CONTENTS

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Council approve the transfer of the additional 2007 final net operating surplus of $0.321 million to the Capital Financing Reserve Fund.

2. Budget Committee forward this 2007 Final Operating Year-end Variance Report to the Executive Committee for its consideration.

Financial Impact

The final 2007 year-end surplus of $95.137 million is $0.321 million more than the surplus of $94.816 million reported in the 2007 Preliminary Year-End Operating Variance report dated February 29, 2008. The additional surplus was due to final 2007 year-end accounting entries and adjustments made by the external auditors after the Preliminary Operating Variance report was prepared.

Chart 2

2007 Operating Surplus - Preliminary vs Final Audited
($ millions)

Final Adjusted Year-End Surplus	**95.137**
Council Approved Allocation of Preliminary Surplus:	
2008 Operating Budget - Prior Year Surplus Revenue	(85.265)
Winter Control Stabilization Reserve	(9.551)
Total Preliminary Surplus Allocated	**(94.816)**
Additional Unallocated Year-end Surplus	0.321
Recommended Allocation of Additional Surplus:	
Capital Financing Reserve Fund	(0.321)
	(0.000)

Chart 2 details the Council approved transfer of the 2007 preliminary year-end operating surplus and the recommended transfer of the additional 2007 final year-end operating surplus (details are contained in the '2007 Final Year-End Surplus Transfer' section of this report).

ISSUE BACKGROUND

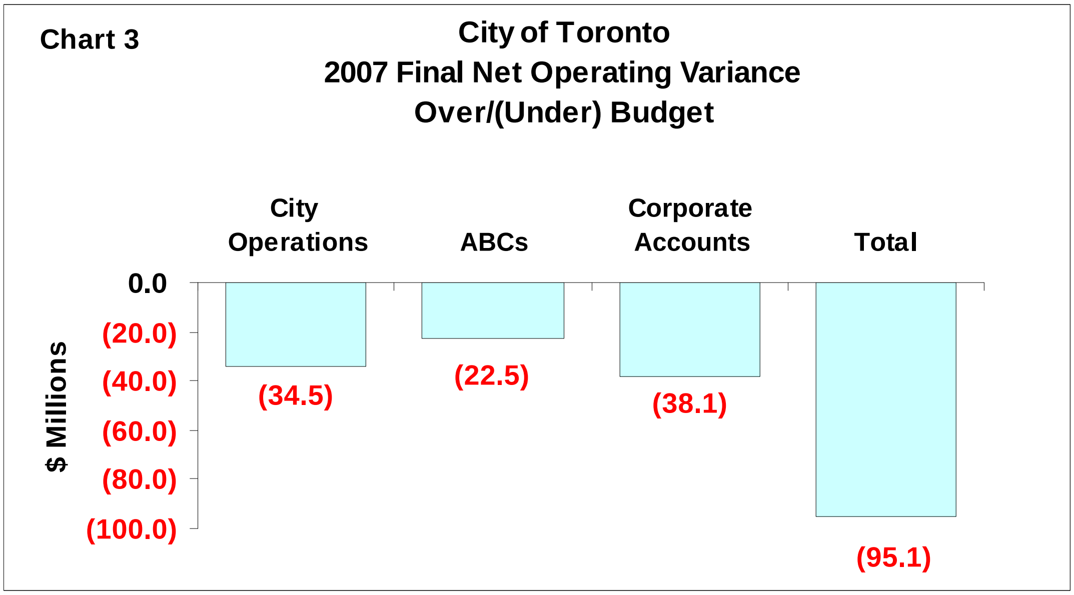
This report is provided pursuant to good business practice and budgetary control. As part of the City's accountability framework, the year-end operating variance report is submitted to Committee and Council to provide information on how the approved operating funds were spent and to identify issues that require direction and / or decisions from Committee and Council. Council's approval is required to implement the recommended allocation of the 2007 year-end operating surplus.

COMMENTS

<u>Overview</u>

This variance report was prepared based on audited accounting information for the year ended December 31, 2007. The annual audit of the City's accounts and financial statements has now been completed and this report reflects the final year-end operating variance. As shown in Chart 3 and detailed in Appendices 1, 2 and 3, operating results for the twelve-month period ended December 31, 2007 reflect a net operating surplus of $95.1 million or 1% of the 2007 Approved Operating Budget.

Chart 3



City Operations had a net favourable variance of $34.5 million or 1.8% of the 2007 Approved Net Operating Budget. This variance was primarily due to implementation of cost containment as well as: lower than planned expenditures in Children's Services' programs that are fully funded by the City; savings from a 4.1% decline in bed-night volumes, under-spending in Community Safety Secretariat, Crisis response, and lower Ontario Works (OW) costs. Solid Waste Management Services had lower waste tonnage received at Transfer stations, lower contracted disposal costs as well as lower costs for processing recyclable materials. Lower than planned utility costs in Facilities and Real Estate resulted from energy efficiency measures implemented in various corporate facilities and the variation in weather patterns over the course of 2007. Information and Technology's savings were realized as a result of better than expected pricing and contract negotiations for hardware, servers and maintenance.

Agencies, Boards and Commissions had a net favourable variance of $22.5 million or 1.7% of the 2007 Approved Operating Budget. This variance was primarily due to: higher than expected revenues from Exhibition due to good weather, the National Soccer Stadium and new business at Direct Energy Centre; increased attendance at the Toronto Zoo; deferral of both planned service improvements and the opening of the Mount Dennis Bus Garage as well as fare increases. Other expenditure savings for TTC include lower hydro and natural gas expenditures. Toronto Police Service's variance was primarily the result of higher than planned one-time revenues as well as savings from some delays in the opening of new Provincial courtrooms, delays in hiring and attrition of current court officers.

Corporate Accounts had a net under expenditure of $38.1 million or 51.3% of the 2007 Approved Operating Budget. This variance was primarily due to: lower tax deficiency expenditures; delays in delivery of the third supplementary and omitted assessment roll which provided MPAC (Municipal Property Assessment Corporation) with an opportunity to include additional assessments onto the assessment roll; 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 2007; unclaimed property tax credits held in the Tax Repayment account; and, higher than budgeted Toronto Parking Authority revenues.

Discussion of Significant Program Variances

The following comments address the significant Program variances by Cluster and Programs:

City Operations

(1) Citizen Centred Services "A"

Table 1	Net Variances ($ millions) 2007 Year-End Over/(Under)
Affordable Housing Office	(0.1)
Children's Services	(1.1)
Court Services	4.6
Economic Development, Culture & Tourism	0.0
Emergency Medical Services	4.1
Homes for the Aged	5.9
Parks, Forestry & Recreation	0.7
Shelter, Support & Housing Administration	(2.3)
Social Development, Finance & Administration	(0.5)
Social Services	(14.4)
3-1-1 Customer Service Strategy	(0.0)
Sub-Total	**(3.1)**

Affordable Housing Office experienced a year-end favourable gross and net expenditure variance of $0.254 million or 8.0% and $0.107 million or 7.6%, respectively. The gross expenditure variance is mainly due to hiring delays and the net expenditure variance is due to implementation of cost containment measures.

Children's Services year-end favourable net expenditure variance of $1.115 million resulted from a $0.565 million under expenditure in programs fully funded by the City (School Rents, Resource Centre and Before/After School) and $0.549 million in Cost Containment Savings.

Court Services experienced an unfavourable net variance of $4.571 million or 41.1% compared to budget. Actual expenditures amount to $36.6 million, which is $1.0 million or 2.9% higher than the budget of $35.6 million; while total revenues of $43.2 million are

$3.6 million below the budget of $46.7 million. The net revenue shortfall is attributable to a delay in implementation of the Red Light Camera expansion program; the remainder relates to defendants not paying court ordered fines. In 2006 Council approved four initiatives to help strengthen Court Services collection efforts and measures aimed at obtaining defendants' compliance to pay court ordered fines.

Economic Development Culture and Tourism achieved a net unfavourable variance of $0.049 million or 0.2%, achieving the net budget target in 2007.

Emergency Medical Services (EMS) had an unfavourable gross expenditure variance of $5.074 million or 3.4% and an unfavourable net expenditure variance of $4.122 million or 6.8%. Savings in regular salaries and benefits, gasoline and uniform costs only partially offset the significant negative expenditure pressures in areas such as: overtime costs ($3.804 million) due to the ongoing hospital offload situation; unbudgeted retroactive payments due to the non-union job evaluation process ($2.745 million); stockpiling of Pandemic Supplies ($0.469 million); telephone costs ($0.160 million) and the purchase of Voice/Data Recorder equipment ($0.253 million) which were offset by a one-time grant of $0.253 million. Overall, revenues were higher than the budget due to an unbudgeted increase in the Land Ambulance grant ($0.247 million), a one-time CACC grant ($0.253 million) as noted above and higher revenues due to growth in the CPR and PAD Training Programs. Cost containment measures implemented in August reduced the year end unfavourable variance by $0.746 million.

Homes for the Aged had 2007 gross and net unfavourable expenditure variances of $1.631 million or 0.8% and $5.850 million or 17.6%, respectively. These unfavourable variances are the result of a combination of reduced expenditures in both the community based services and homes programs due to lower than anticipated provincial subsidies and grants and increased expenditures due to an in-year increase in part-time wages that arose from harmonization. Certain program expenditures such as high intensity needs and supportive housing are claims-based services that are 100% subsidized. In addition, the anticipated Provincial Subsidy increase to long-term care homes was delayed. The Division's implementation of specific care and service level adjustments did not proceed until funding was made available. Program expenditure controls for claims-based services resulted in gross expenditure savings of approximately $4.2 million with no impact on net expenditures. These gross expenditure savings are offset by the Division's absorption of part time harmonization costs, including retroactive payments ($3.1 million) and ongoing payments ($3.2 million), totalling $6.3 million, that were not included as part of the 2007 gross and net operating budget. The division realized cost containment savings of $0.453 million.

Parks, Forestry & Recreation (PF&R) had a favourable gross variance of $0.228 million or 0.1% and $0.662 million or 0.3% net favourable variance at year-end. The variance reflects a $0.228 million or 0.1% favourable gross expenditure variance and $0.891 million or 1.1% unfavourable revenue variance. Divisional budget pressures of $7.5 million were partially offset through $1.7 million of savings from cost containment measures as well as PF&R’s own internal cost containment strategies that required difficult expenditure restraint that had an impact on service delivery across the Division.

Shelter, Support and Housing Administration experienced a favourable year end net variance of $2.280 million that is 0.9% of the 2007 Approved Budget, primarily attributed to savings from a 4.1% decline in bed-night volumes (budgeted volume of 1,423,055 vs. actual volume of 1,365,181) and cost containment savings $1.682 million.

Social Development, Finance & Administration had a year-end favourable gross expenditure variance of $1.546 million or 5.4% and a favourable net expenditure variance of $0.541 million or 3.4% of the 2007 Approved Budget. This favourable variance is mainly due to under-spending in Community Safety Secretariat and Crisis Response activities, staff vacancies, and general under-spending arising from cost containment measures.

Social Services' favourable net variance of $14.361 million, after a budgeted reserve draw of $22.1 million, is mainly attributed to the lower Ontario Works (OW) costs of approximately $20.0 million (higher proportion of singles compared to families in caseload) and savings from implementing cost containment measures of $0.3 million, partially offset by over-expenditures of $3.8 million in the Ontario Disability Support Program (ODSP) and Ontario Drug Benefits (ODB).

3-1-1 Customer Service Strategy's year-end gross favourable variance is $0.529 million or 17.5% and a net favourable variance of $0.021 million or 5.4% of the 2007 Approved Budget. The favourable net variance was mainly due to one-time savings from cost containment measures. The gross favourable variance and the corresponding reduction in recovery from capital were mainly due to under spending in salaries & benefits resulting from delays in some areas of the Capital Program.

(2) Citizen Centred Services "B

Table 2	Net Variances ($ millions) 2007 Year-End Over/(Under)
Toronto Building	(0.8)
City Planning	(0.6)
Fire Services	(2.2)
Municipal Licensing & Standards	(0.6)
Policy, Planning, Finance and Administration	(3.6)
Solid Waste Management Services	(11.1)
Technical Services	(1.1)
Transportation Services	3.4
Waterfront Secretariat	(0.2)
Sub-Total	**(16.8)**

Toronto Building had a favourable net expenditure variance of $0.751 million or 6.4% of the 2007 Approved Budget for the year ended December 31, 2007. This favourable variance was attributed to savings from high staff vacancies due to hiring delays and cost containment measures instituted in 2007.

City Planning experienced a year-end favourable net operating variance of $0.596 million or 4.4% attributed mainly to the delayed hiring of vacant positions. The Program managed expenditures to ensure they were in line with projected revenues which were lower than anticipated as a result of the mix in types of development applications received.

Fire Services had a $2.212 million or 0.7% year-end favourable net expenditure variance primarily due to cost containment savings of $4.6 million offset by over spending of $1.8 million for WSIB cancer claims and lower year-end revenues of $0.3 million which resulted from a lower volume of false alarm calls.

Municipal Licensing & Standards experienced a $0.625 million or 5.6% year-end favourable net expenditure variance primarily because of the delays in filling vacant positions. Expenditure savings were somewhat offset by lower than anticipated revenues resulting from a decrease in permits and business licenses issued.

Policy, Planning, Finance & Administration (PPF&A) had a favourable net variance of $3.6 million or 14.1% which was primarily due to savings from cost containment measures which put on hold the PPF&A Reorganization. The delay in implementation of the reorganization resulted in lower salary and benefit expenditures as well as and lower services/rents costs.

Solid Waste Management Services (SWMS) experienced a $11.1 million or 6.1% year-end favourable net variance primarily as a result of lower waste tonnage received at Transfer Stations; lower contracted disposal costs; lower costs for processing recyclable materials; savings from cost containment measures including the delay or deferral of new 70% diversion initiatives as well as other expenditure restraints.

Technical Services realized gross expenditure savings of $5.8 million or 9.7% and net savings of $1.079 million or 6.6% at the end of 2007. The favourable variance is attributed primarily to salary savings from 30 full-time vacant positions. Other factors included $0.6 million in non-salary discretionary cost containment savings. Technical Services' reported year-end revenue which was $4.7 million or 10.9% below the 2007 Approved Operating Budget of $43.2 million. This was primarily the result of under-recovery of revenues from client and a shortfall in Development Engineering fees, due to lower than projected revenues from review of development applications.

Transportation Services had a year-end unfavourable net variance of $3.362 million or 2% over the 2007 Approved Budget. This was primarily attributed to higher than expected winter maintenance costs resulting from a major storm in December that required intensive salting, plowing and snow removal and increased salary costs arising from final job evaluation pay adjustments.

Waterfront Secretariat had a favourable net expenditure variance of $0.192 million or 17.7% of the 2007 Approved Budget. This favourable variance was due to cost containment measures instituted in 2007 that resulted in savings from the deferral and/or cancellation in the retention of external expertise. A portion of the funding for consulting was not reinstated in 2008 as a strategy to enable the Secretariat to meet its budgetary target.

(3) Internal Services

Table 3	Net Variances ($ millions) 2007 Year-End Over/(Under)
Office of the Chief Financial Officer	(0.9)
Office of the Treasurer	(3.2)
Public Information & Creative Services	(0.4)
Facilities & Real Estate	(1.6)
Fleet Services	0.1
Information & Technology	(3.4)
Sub-Total	**(9.3)**

The ***Office of the Chief Financial Officer*** (inclusive of Financial Planning, Corporate Finance and Finance & Administration Divisions) had a year-end favourable net expenditure variance of $0.9 million or 8.7% of the 2007 Approved Budget mainly as a result of savings from cost containment measures, including freezing recruitment for vacant positions, and discretionary spending.

The ***Office of the Treasurer*** (which includes Revenue Services, Accounting Services, Pensions, Payroll & Employee Benefits and Purchasing and Materials Management Division had a year-end favourable net variance of $3.2 million or 10% as a result of savings from cost containment measures and extraordinary gapping in 2007.

Information and Technology experienced a year-end favourable net variance of $3.4 million or 7.1% of the 2007 Approved Budget, comprised of savings from vacancies of $2.2 million and better than expected pricing and contract negotiations for hardware, servers and maintenance of $3.9 million. These savings were somewhat offset by lower than expected capital recoveries of $2.7 million.

Facilities & Real Estate had a favourable year-end net variance of $1.6 million or 2.9% of the 2007 Approved Operating Budget. This favourable variance is attributed to the following: Lower than planned utility costs as a result of the energy efficiency measures implemented in various corporate facilities and the variation in weather patterns over the course of 2007, as well as higher than planned revenue recoveries as a result of additional work performed for clients ($1.1 million). Cost containment measures which included a hiring freeze ($0.2 million) and further utility savings due to the reduced hours of operation in Civic Centres ($0.3million), for a total of $0.5 million.

Fleet Services' year-end net over expenditure of $0.093 million was primarily due to the bulk purchase savings not being realized as a result of delay in the implementation of parts consignment contract ($0.400 million) and the increased demand for maintenance from City divisions ($0.760 million). These additional costs of $1.160 million were offset by the cost containment savings of $1.067 million, resulting in a net over-expenditure of $0.093 million.

Public Information and Creative Services experienced a favourable net variance of $0.4 million or 7.8% of the 2007 Approved Budget which was largely due to cost containment savings.

(4) City Manager's Office

The ***City Manager's Office*** (which includes Human Resources) had a net favourable variance of $1.8 million or 4.9% as a result of cost containment savings in the amount of $0.5 million and savings due to delays in filling vacancies in the amount of $1.3 million.

Table 4	Net Variances ($ millions) 2007 Year-End Over/(Under)
City Manager's Office	(1.8)
Sub-Total	**(1.8)**

(5) Other City Programs

Table 5	Net Variances ($ millions) 2007 Year-End Over/(Under)
City Clerk's Office	(0.4)
Legal Services	(1.2)
Mayor's Office	(0.4)
City Council	(1.4)
Sub-Total	**(3.4)**

The ***City Clerk's Office*** experienced a year-end net favourable variance of $0.4 million or 1.3% of the 2007 Approved Budget. This was mainly due to savings as a result of cost containment measures.

Legal Services had a year-end net favourable variance of $1.2 million primarily due to not filling vacant positions and higher than expected staff absences pertaining to maternity leave, leave of absence and education leave. In addition, higher than expected revenues were realized due to increased volume of planning applications, business licences and recoveries for additional legal work provided.

The ***Mayor's Office*** had a year-end favourable net variance of $0.4 million or 16.5% of the 2007 Approved Budget as a result of cost containment savings.

Council experienced a year-end favourable net variance of $1.4 million or 6.4% of the 2007 Approved Budget as a result of under spending of Councillors' Office Budgets and salaries & benefits for Councillors' staff.

(6) Accountability Offices

The Auditor General's Office experienced a year-end net favourable variance of $0.1 million or 2.2 % of the 2007 Approved Budget primarily due to cost containment savings.

Table 6	Net Variances ($ millions) 2007 Year-End Over/(Under)
Auditor General's Office	(0.1)
Lobbyist Registrar	(0.0)
Sub-Total	**(0.1)**

(7) Agencies, Boards and Commissions

Table 7	Net Variances ($ millions) 2007 Year-End Over/(Under)
Toronto Public Health	(2.7)
Toronto Public Library	(0.6)
Association of Community Centres	0.1
Exhibition Place	(3.3)
Heritage Toronto	0.0
Theatres	(0.2)
Toronto Zoo	(1.3)
Arena Boards of Management	0.0
Yonge Dundas Square	(0.0)
Toronto & Region Conservation Authority	0.0
Toronto Transit Commission - Conventional	(6.3)
Toronto Transit Commission - Wheel Trans	(1.3)
Toronto Police Service	(6.8)
Toronto Police Services Board	(0.1)
Sub-Total	**(22.7)**

Toronto Public Health **(TPH) -** For the year ended on December 31, 2007, TPH achieved a net favourable variance of $2.705 million or 5.4% of the 2007 Operating Budget. The favourable variance was mainly due to savings from cost containment measure implemented by TPH, and over achievement in gapping resulting in a positive variance in both payroll and non payroll.

The ***Toronto Public Library's (TPL)*** favourable net variance of $0.643 million or 0.4% of the 2007 Approved Budget was mainly attributed to the cost containment measures implemented in 2007, deferral of web testing environment and IT security audit ($0.110 million), service level adjustments/reductions of $0.454 million, and cancellation of training of $0.060 million.

The *Association of Community Centres* had an unfavourable net variance of $0.1 million or 1.5% of the 2007 Approved Operating Budget driven by ongoing cost pressures of non union position reclassifications and wage harmonization.

Exhibition Place experienced a favourable variance of $3.3 million as a result of higher than expected revenues from the CNE (due to good weather), the National Soccer Stadium, and new business at the Direct Energy Centre.

The Arena Boards of Management Program had an unfavourable net variance of $0.053 million primarily due to a prolonged shutdown of operations at William H. Bolton Arena for major renovations. In addition, the Program incurred an extraordinary $0.009 million in settlement of a prior year arena deficit that had to be funded out of the 2007 Operating Budget that was approved by Council

The ***Theatres*** had a final year-end net favourable variance of $0.172 million or 4% of the 2007 Approved Budget which was attributed to greater than expected rental, food and beverage, and ancillary revenues, savings from discretionary expenditures, and cost containment initiatives at St. Lawrence Centre for the Arts ($0.095 million net); as well as operational efficiencies such as energy savings projects at the Toronto Centre for the Arts ($0.077 million net). Sony Centre for the Performing Arts reported a year-end $0 net variance.

The ***Toronto Zoo*** experienced a net favourable variance of $1.313 million or 11.4% of the 2007 Approved Budget as a result of increased attendance due to exceptional weather conditions and the Dinosaurs Alive exhibit. The favourable net expenditure variance was attributed to $2.656 million favourable revenues partially offset by $1.343 million additional costs required to support the increased level of attendance and operations.

Yonge-Dundas Square increased revenues was partially offset by associated support costs. The net favourable variance of $0.034 million or 5.8% is due to a combination of one time miscellaneous cost containment measures and increased venue usage.

The ***Toronto Transit Commission (TTC)*** had a year-end favourable net under expenditure of $6.324 million or 2.3% of the 2007 Approved Budget (Conventional). This favourable variance was primarily a result of the achievement of $6 million in cost containment savings through the deferral to 2008 of both planned service improvements and the opening of the Mount Dennis Bus Garage, along with $5 million in unbudgeted revenue from the November 2007 fare increase. There were other expenditure savings including $8.7 million in lower hydro and natural gas expenditures. These savings and revenue increases were partially offset by accident claims which were $16.2 million higher than anticipated, based on recent actuarial projections. As well, Wheel-Trans expenditures were $1.3 million or 2.0% less than the 2007 Approved Budget.

Toronto Police Services Board's 2007 actual year-end net expenditures of $2.134 million was $0.104 million or 4.7% below the 2007 Approved Budget of $2.238 million. This variance was mainly attributed to less than anticipated legal costs.

The ***Toronto Police Service*** had a favourable net variance of $6.8 million or 4.6% of the 2007 Approved Budget primarily as the result of higher than planned one-time revenues as well as expenditure savings from some delays in the opening of new Provincial courtrooms, delays in the hiring process and attrition of current court officers.

<u>Corporate Accounts</u>

Table 8	Net Variances ($ millions) 2007 Year-End Over/(Under)
Community Partnership and Investment Program	(0.1)
Capital & Corporate Financing	(3.4)
Non Program Expenditures	(6.0)
Non Program Revenues	(28.6)
Sub-Total	**(38.1)**

Community Partnership & Investment had a net under expenditure of $0.105 million or 0.3% of the 2007 Approved Budget primarily because the Crescent Town Community Association decided not to participate in the approved service development project ($0.048 million); cancellation of 2007 funding of Canadian Tamil's Chamber of Commerce because the project failed to comply with program conditions ($0.006 million); and, an under-expenditure of maintenance cost associated with the Corporate Grants Information System ($0.022 million).

Corporate and Capital Financing realized a $3.4 million year-end net favourable variance due to interest received as part of debenture proceeds during the year.

Non Program Accounts – overall, a favourable net variance of $38.085 million was realized in Non Program Accounts primarily in the following areas:

- A $1.9 million year-end unfavourable net variance was reported for ***Tax Deficiencies*** due to the number of appeals and other adjustments that were received and processed.
- ***Heritage Property Tax Rebate Program*** had a favourable net variance of $2.8 million because the expansion of the Heritage Property Tax Rebate Program's eligibility criteria was cancelled as a cost containment measure for 2007.

- A $0.3 million unfavourable budget variance was realized for ***Vacancy Rebates*** in 2007 as a result of the processing of vacancy rebates in 2007 for tax years 2001 to 2003.
- An $8.5 million favourable net variance was realized for ***Payment in Lieu of Taxes*** primarily due to: $0.9 million in additional assessment based levies; $1.0 million in additional heads and beds levies; $1.1 million as a result of payment received from University of Toronto during 2007; and $1.7 million as a the result of lower than expected assessment conversions from PIL to exempt TTC properties.
- A $13.3 million favourable net variance was realized for ***Supplementary Taxes*** primarily due to delays in the delivery of the 3rd supplementary and omitted assessment roll. This provided MPAC with an opportunity to add additional assessments onto the roll resulting in additional revenues.
- ***Tax Penalty*** 2007 revenue was below budget by $0.5 million due to lower than expected outstanding receivables.

Non Levy Operations

Toronto Parking Authority's 2007 year-end actual net revenue was $2.110 million or 5% above the 2007 Approved Operating Budget of $44.429 million. The increase in net revenue is due to higher than budgeted gross revenues. The 2007 Toronto Parking Authority's year-end actual gross expenditures totalled $59.923 million, which is $2.118 million or 4% over the 2007 Approved Operating Budget of $57.805 million. The increase was primarily due to higher than anticipated rental charges for numerous carparks throughout the City which is reflective of higher gross revenue. In addition, credit card processing; wireless communication; and, service contract costs were all higher than forecasted revenue. The year-end actual revenue for the Authority is $106.463 million. This represents an increase of approximately $4.228 million or 4% of the 2007 Approved Operating Budget of $102.234 million. The increase primarily resulted from the improvement in off-street parking facilities along Bloor Street from Yonge Street to Avenue Road and at major facilities near the Lakeshore from Bay to Jarvis Streets

Toronto Water's 2007 year-end actual gross expenditure of $365.472 million, excluding capital financing and contribution to the rate stabilization reserves, are under budget by $13.866 million or 4% compared to the budgeted amount of $379.338 million. This favourable variance is largely attributed to lower than forecasted salaries and material / supply charges. The 2007 year-end actual revenues of $656.918 million are $8.696 million or 1% above the budgeted amount of $648.221 million. The increase in revenues is largely attributed to the growth in user fees for new services. Toronto Water has an actual year-end net surplus of $22.562 million. The increase is largely attributed to a reduction in gross expenditures and increase in revenues, as noted above. The surplus will be transferred to the rate stabilization reserves.

2007 Cost Containment Measures

Cost containment measures were implemented in July 2007 with the goal of reducing operating costs for the remainder of 2007. As indicated in Table 9, most City Programs and ABCs achieved their cost containment target resulting in savings of $40.2 million. This was $1.2 million less than the corporate target of $41.5 million. City Programs and ABCs such as the Waterfront Secretariat ($0.1 million) and Toronto Public Health ($0.3 million) exceeded their targets; while Solid Waste Management under-achieved by $1.7 million and Transportation Services by $0.7 million. Although Solid Waste Management's net variance reflects a favourable net variance of $10.5 million due to lower costs in processing recyclable materials, the Program under-achieved the cost containment target by $1.7 million.

Table 9
2007 Operating Cost Containment Savings ($000s)

	Cost Containment Budget	Cost Containment Achieved	Variance from Projected
Citizen Centred Services "A"	6,239.0	6,317.1	78.1
Citizen Centred Services "B"	16,184.8	14,211.9	(1,972.9)
Internal Services	6,287.3	6,583.2	295.9
City Manager	460.6	460.6	0.0
Other City Programs	860.6	860.6	0.0
Accountability Offices	16.0	41.9	25.9
Total City Operations	30,048.3	28,475.3	(1,573.0)
Agencies, Boards and Commissions	11,417.4	11,750.4	333.0
Total Levy Operations	**41,465.7**	**40,225.7**	**(1,240.0)**

2007 Year-end Surplus Allocation

The final year end surplus of $95.137 million is $0.321 million greater that the Preliminary Year end surplus reported to Council at its meeting of March 31, and April 1, 2008. At that meeting, Council adopted a recommendation to allocate the full amount of the preliminary surplus as follows: $85.265 million to 2008 Operating Budget – Prior Year Surplus Revenue and $9.551 million to Winter Control Stabilization Reserve. It is recommended that the incremental 2007 surplus of $0.321 million be allocated to the Capital Financing Reserve Fund.

Consulting Costs

As at December 31, 2007, City Programs and ABCs reported consulting costs of $4.912 million compared to a budget of $5.983 million resulting in an under expenditure of $1.071 million or 17.9%. This under expenditure was primarily the result of delays / deferrals due to cost containment measures specifically in the following programs / ABCs: Social Services, Toronto Building, City Planning, TTC and Toronto Public Library.

Approved Positions

Staff complement based on Approved Positions are budgeted and monitored by the City. As at December 31, 2007, the City had 45,069.3 full-time approved positions (42,651.2 permanent and 2,418.1 casual/seasonal) and 4,393.3 part-time approved positions (1.601.6 permanent and 2,791.7 casual/seasonal). This reflects a decrease of 2.2% from the 2007 Council Approved Positions. The decrease was mainly due to delays in filling positions, seasonal fluctuations as well as cost containment within City Programs/ABCs.

Utility Costs

The year-end utility under expenditure for City utility costs was primarily the result of: lower than planned consumption of hydro / natural gas due to milder weather; retrofit project savings; increased use of LED traffic signal lamps; and, other energy efficiency measures. The under expenditures were attributed to Parks, Forestry & recreation, Fire Services, Transportation, Facilities & Real Estate, Toronto Zoo, TTC and Toronto Water. As at December 31, 2007, levy and rate operations reported utility costs of $140.3 million compared to a budget of $154.6 million resulting in a variance of $14.3 million.

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