TORONTO

STAFF REPORT ACTION REQUIRED

Operating Variance Report for the Six-month Period Ended June 30, 2008

Date:	September 5, 2008
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2008\Internal Services\FP\bc08013Fp (AFS #6965)

SUMMARY

The purpose of this report is to provide the City of Toronto Operating Variance Report for the six-month period ended June 30, 2008, along with operating variance projections for the year ending December 31, 2008; and, to obtain approval of adjustments to amend the Council Approved Operating Budget between Program budgets in order to ensure accurate reporting and financial accountability with no increase to the 2008 Council Approved Net Operating Budget.

For the six-month period ended June 30, 2008, actual net expenditures were $3.234 million or 0.2% under budget. This was primarily due to increased snow removal costs in Transportation Services and Toronto Transit Commission (TTC) arising from the large accumulation of snow from January to April 2008; and underachievement of revenues by TTC due to the April 2008 strike. Corporately, these over-expenditures were offset by under-spending in Social Services, Solid Waste Management Services and the Corporate Accounts.

Projections to year end indicate that the City's will be underspent by $0.284 million. As indicated in Appendix A, City Operations project an unfavourable variance of $6.340 million primarily attributed to over-expenditures of $15.288 million in Transportation Services due to the significant snow removal costs associated with the higher than normal snowfall in early 2008. This is partially offset by favourable net expenditures in several City Programs including Social Services; Office of the Treasurer; Shelter, Support and Housing Administration; and Solid Waste Management Services. Collectively, Agencies, Boards and Commissions (ABC) project a net unfavourable variance at year end of $3.035 million primarily resulting from the larger than normal snow removal cost and revenue loss as a result of the April transit strike. The over-expenditures in City

Operations and ABCs are offset by the projected favourable net expenditure of $9.659 million for the Corporate Accounts. The under-expenditures in the Corporate Accounts is primarily due to increased interest investment earnings of $3.380 million, higher than expected Hydro revenues of $1.416 million, higher than budget Parking Tag Enforcement & Operations revenue and Parking Authority Revenues of $4.814 million.

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RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Council approve the deposit of funds totalling $21.466 million received from the Provincial government to create affordable housing into the Capital Revolving Reserve Fund; and further, that Council approve an in-year budget adjustment to increase the 2008 Shelter, Support and Housing Administration Operating Budget by $6.1 million gross, funded by a draw from the Capital Revolving Fund in order to make construction payments to housing providers under the Canada-Ontario Affordable Housing Program.

2. Council approve an increase of $2.407 million gross and revenue, and $0 net to the 2008 Facilities and Real Estate Operating Budget to enable the program to receive financial incentives for electricity demand reduction from the Ontario Power Authority, and to disburse these incentives to the various participating entities upon delivery of their individual programs.

3. Council approve a transfer of deferred revenue in the amount of $46,983.77 to the 2008 Public Information and Creative Services Budget to support the Toronto Immigration Portal in such areas as focus group testing, content development and advertising.

4. Council approve the technical adjustments to amend the 2008 Council Approved Operating Budget between Programs to ensure accurate reporting and financial accountability resulting in no net increase to the overall 2008 Council Approved Operating Budget as detailed in Appendix D.

5. Council authorize that the City Manager and the Deputy City Manager & Chief Financial Officer continue to monitor expenditures of City Programs, Agencies, Boards and Commissions that have projected over-expenditures and to institute appropriate strategies to ensure that they are on budget at year end.

6. Budget Committee forward this June 30, 2008 Operating Variance Report to the Executive Committee for its consideration.

Financial Impact

Net expenditures for the six-month period ended June 30, 2008 were $3.234 million or 0.2% lower than planned expenditures (See Table 1). Projections to year end indicate a net operating budget under-expenditure of $0.284 million. The favourable variance of $3.234 million is attributed to under-expenditures in Citizen Centred Services "A", Internal Services, Other City Programs and in the Corporate Accounts which is partially offset by over-expenditures in Citizen Centred Services "B" (Transportation Services) and Toronto Transit Commission – Conventional Services. The Deputy City Manager & Chief Financial Officer will monitor expenditures of Programs and ABCs projecting over-expenditures at year end, and will institute appropriate strategies to ensure that they are on budget at year end.

Table 1
Net Expenditure Variance ($ Millions)

	June 2008 Over/(Under)	Projected Y/E 2008 Over/(Under)
Citizen Centred Services "A"	(6.8)	(3.5)
Citizen Centred Services "B"	19.0	15.3
Internal Services	(4.1)	(2.4)
City Manager	0.3	(0.5)
Other City Programs	(3.0)	(2.5)
Council Appointed Programs	(0.2)	(0.1)
Total - City Operations	5.1	6.3
Agencies, Boards and Commissions	5.7	3.0
Corporate Accounts	(14.1)	(9.7)
Sub-Total	(8.4)	(6.6)
Total Variance	(3.2)	(0.3)

ISSUE BACKGROUND

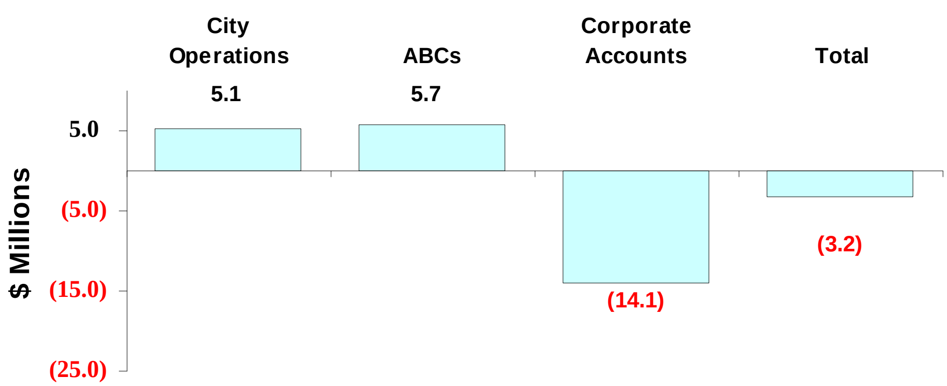
This report is provided pursuant to good business practice and budgetary control. As part of the City's accountability framework, operating variance reports are submitted to Committee and Council quarterly, to provide information on how the approved operating funds are being spent, and on an exceptions basis, to identify issues that require direction and decisions from Council. In addition, Council is required to approve any budget adjustments that amend the Council Approved Operating Budget between Programs to ensure accurate reporting and financial accountability. These budget adjustments have no incremental impact on 2008 Council Approved Net Operating Budget.

COMMENTS

Overview – Six-Month Period Ended June 30, 2008

Operating results for the six-month period ended June 30, 2008 reflect a net favourable variance of $3.234 million or 0.2% of planned expenditures.

Chart 1
Corporate Variance Summary
for the period ended June 30, 2008
Over/(Under) Budget



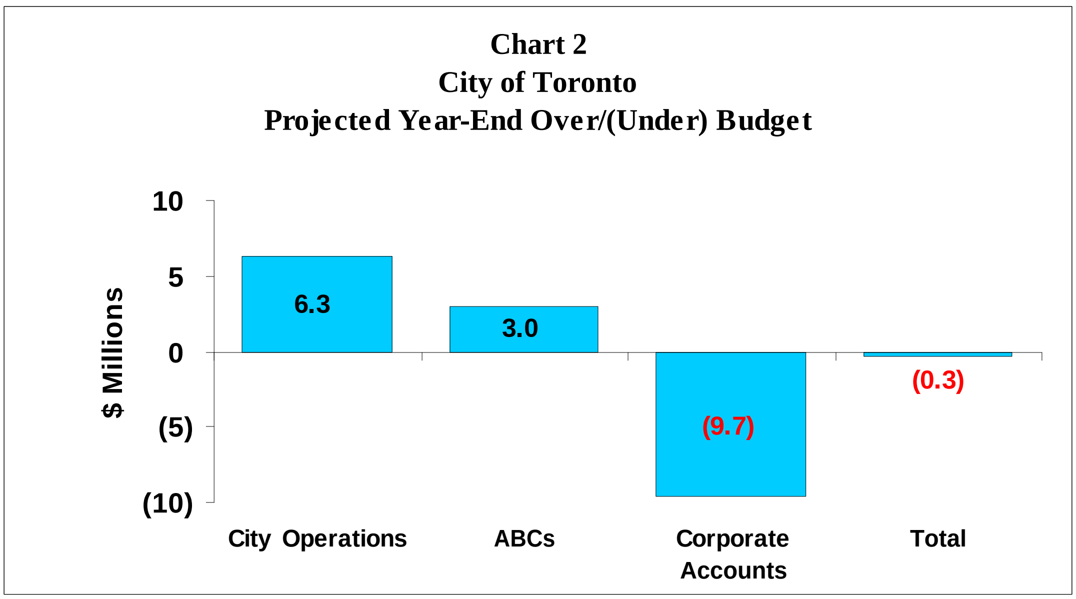
As shown in Chart 1, **City Operations** reported a net over-expenditure of $5.142 million or 0.5% of planned expenditures for the six-month period ended June 30, 2008. This variance was primarily due to: overspending in Transportation Services to cover the cost of salt, sand and snow removal activities; a net revenue shortfall due to lower than projected number of Red Light Camera charges in Court Services; higher than planned overtime costs in Emergency Management Services due to the ongoing offload situation; and, unbudgeted spending for WSIB cancer claims in Fire Services.

Agencies, Boards and Commissions had a net unfavourable variance of $5.733 million or 0.9%. The over-expenditures in Toronto Transit Commission resulted from the shortfall in Conventional Services passenger revenue primarily due to the effects of the strike in April, 2008.

Corporate Accounts had a net under-expenditure of $14.109 million or 11.8% of planned expenditures. The favourable variance was primarily due to higher investment income and higher than expected Toronto Parking Authority revenues.

Overview - Projected Year end Variance

A favourable variance of $0.284 million is projected by year end, as shown in Chart 2. This projected favourable position is primarily attributed to under-expenditures in the Corporate Accounts of $9.659 million which offset the over-expenditures in City Operations of $6.340 million and ABCs of $3.035 million resulting in a net operating favourable variance of $0.284 million.



City Operations project a net under-expenditure at year end of $6.340 million or 0.3 % of the 2008 Approved Operating Budget. The City faces significant revenue related budget pressures in Court Services and higher than anticipated cost in overtime in EMS as well as over-expenditure in snow removal related costs in Transportation Services. However, the City is projecting other efficiencies / savings in programs such as: Social Services; Shelter, Support & Housing Administration (SS&HA); Social Services; and, Solid Waste Management Services (SWMS) to partially offset budget pressures.

Agencies, Boards and Commissions project a net over-expenditure at year end of $3.035 million or 0.2% over the 2008 Approved Operating Budget primarily due to effects of the strike in April 2008 as well as higher service delivery costs in snow removal as a result of higher than normal snowfall in early 2008.

Corporate Accounts are projecting to be under budget at year end by $9.659 million or 29.4% of the 2008 Approved Operating Budget. This favourable variance is mainly attributed to higher than anticipated investment income; higher Toronto Parking Authority revenues.

Discussion of Significant Program Variances

Citizen Centred Services “A”:

Citizen Centred Services “A” reported a favourable net variance of $6.839 million or 1.5% under planned expenditures during the six months ended June 30, 2008 and projects a year end under expenditure of $3.492 million or 0.4% of the 2008 Approved Operating Budget. While the Cluster faces significant revenue budget pressures in Court Services ($2.345 million net) and expenditure budget pressures in Emergency Medical Services ($2.044 million), collectively, the Programs within this Cluster are projecting an overall under-expenditure of $3.492 million as discussed below:

Table 2
Citizen Centred Services "A"
Net Expenditure Variance ($ Million)

	June 2008 Over/(Under)	Projected Y/E 2008 Over/(Under)
Affordable Housing Office	0.0	0.0
Children's Services	0.0	0.0
Court Services	2.3	3.1
Economic Development, Culture & Tourism	(1.0)	(0.1)
Emergency Medical Services	2.0	3.2
Long Term Care Homes and Services	(0.5)	0.0
Parks, Forestry & Recreation	(1.3)	0.0
Shelter, Support & Housing Administration	(2.1)	(2.0)
Social Development, Finance & Administration	(0.2)	(0.1)
Social Services	(6.1)	(7.6)
3-1-1 Customer Service Strategy	(0.0)	0.0
Sub-Total	(6.8)	(3.5)

Children’s Services reported a favourable gross expenditure variance of $7.787 million during the six-month period ended June 30, 2008 which is largely attributed to under-spending in Purchased Child Care given to the pending payment of actual cost rate adjustments to purchase services operators. Payments of the actual rate to Purchase Child Care operators will be implemented in the third quarter of 2008. Increased revenues due to user fees will continue to year end, however, this will be offset by an equivalent reduction in the draw from the Child Care Expansion Reserve Fund. It is anticipated that gross and net expenditures will be on budget by year end.

Court Services had an unfavourable net variance of $2.345 million or 44.1% over planned expenditures during the six months ended June 30, 2008. This variance was the result of a net revenue shortfall mainly attributable to the lower than projected number of Red Light Camera charges, even after an expansion initiative was implemented by Transportation Services staff this year. As of June 30, 2008, Red Light Camera charges issued in 2008 and filed with the court totalled 7,694 compared to a 2008 estimate of 54,400. Similarly, actual revenue realized up to and including June 30, 2008 for all outstanding Red Light Camera tickets, including those issued in 2008, is $0.800 million, of which $0.200 million pertains to 2008 charges. The Red Light Camera revenue budget for 2008 is $5.200 million comprised of $3.700 million arising from the expansion program and the remaining $1.500 million attributable to base the operation of the 10 cameras which existed prior to the implementation of the expansion program.

Compared to June 2007, the 2008 fine revenues have increased by 14.4 % (i.e. $21.730 million in 2008 against $19.000 million in 2007). Additionally, with $0.182 million collected, user fee revenues from defendants / customers' use of a city-built internet portal introduced in 2008 to pay fines, has exceeded the half year budget of $0.162 million by $0.020 million or 12.5%.

The Program's increasingly positive revenue trend (with the exception of the Red Light Camera program) is due to increases in in-court activity and conviction rates as well as strengthened collection / fine enforcement efforts. This is due to the appointment of an additional Justice of the Peace, opening of additional courts and the implementation of initiatives approved by Council in 2006, namely:

1) Development and implementation of a web functionality to enable defendants to pay fines on the internet
2) Hiring of dedicated city legal staff to pursue debtors with outstanding defaulted fines in excess of $0.010 million
3) Commencement of an initiative for off-duty officers to attend court as witnesses
4) Expansion of the Red Light Camera program by the Toronto Transportation Division.

With increasing caseload and related revenue generation, the Program expects a stronger revenue flow for the rest of the year. The year end expenditures and revenues are projected to be $40.535 million and $48.800 million respectively, resulting in net revenue of $8.274 million for 2008 which is $3.109 million below the net revenue budget of $11.383 million. The Red Light Camera revenue is projected to be underachieved by approximately $3.000 million.

For the six-month period ended June 30, 2008, ***Economic Development, Culture & Tourism (EDCT)*** reported a favourable net expenditure variance of $0.986 million or 8.5% of net planned expenditures resulting from a combination of unfilled vacancies due to realignment resulting from program review, procurement delays and revenue delays.

The Program is projecting a favourable year end net expenditure variance of $0.119 million or 0.5% of the 2008 Approved Operating Budget as a result of the delays.

Emergency Medical Services (EMS) reported unfavourable gross and net expenditure variances of $2.529 million and $2.044 million representing 3.7% and 8.6% of planned expenditures respectively during the six-month period ended June 30, 2008. These variances were largely attributed to higher than planned overtime cost of $1.471 million due to the ongoing hospital offload situation and cost of Family Day ($0.574 million). The over-expenditures for overtime will continue to year end and the Program is projecting an unfavourable net variance of $3.179 million or 5.1% of the 2008 Approved Operating Budget. EMS recently received confirmation of one-time funding of $1.600 million for a new EMS Nurses pilot project expected to commence in August 2008. This project is anticipated to reduce overtime costs associated with the hospital offload delays.

The ***Long Term Care Homes and Services'*** favourable gross and net expenditure variances for the six-month period ended June 30, 2008 were $5.231 million and $0.460 million or 2.9% and 5.3% plan respectively. The favourable gross expenditure variance is mainly attributed to reduced expenditures in both the community based services and homes programs due to lower than anticipated provincial subsidies and grants. This favourable gross expenditure variance is somewhat offset by delayed and / or lower than anticipated Provincial subsidy and grant approvals. In addition, the anticipated provincial subsidy increase to long term care homes has been delayed and the Program has deferred the implementation of specific care and has made service level adjustments until the funding is made available. Long Term Care Homes and Services is projecting no variance at year end.

Parks, Forestry and Recreation (PF&R) reported a favourable net variance of $1.343 million or 1.3% of net planned expenditures for the second quarter ended June 30, 2008 mainly due to delays in filling staff vacancies ($1.900 million), offset by unachievable revenue targets for leases and agreements ($0.200 million) and shortfall in golf revenue ($0.400 million). Both gross expenditures and revenues are below budget for this quarter for several cost-recoverable areas such as After School Recreation & Care, Asian Long-Horned Beetle and the Class Subsidy Management module. The Program is projecting no year end variance as a result of offsetting additional overtime costs and unrealized revenue targets for leases and agreements with savings arising from staff hiring delays.

Shelter Support and Housing Administration (SSHA) reported a favourable variance of $4.490 million gross and $2.125 million net or 1.4 % and or 1.7% respectively for the six-month period ended June 30, 2008. The favourable net variance is primarily attributed to delays in hiring staff, and increased subsidy for higher than planned bed nights of 23,503 (701,183 actual bed nights vs. budgeted volume of 677,680), a variance of 3.5%. At year end, the Program is projecting under-spending of $13.030 million gross and $1.975 million net or 1.8% and 0.8% respectively of the 2008 Approved Operating Budget. SSHA is projecting continued savings in salaries and benefits due to hiring delays, and under-spending in Social Housing of $11.100 million, with offsetting savings in subsidies due to lower than budgeted property taxes and interest-rate savings in mortgage renewals. The savings in Social Housing will be offset by lower reserve draws.

Social Development, Finance & Administration (SDFA) reported favourable variances at June 30, 2008 of $1.212 million gross and $0.250 million net or 9.5% and 3.4% of planned expenditures during the six months ended June 30, 2008. The favourable gross variance was mainly due to under spending in 100% funded programs, including the Street Youth Program and the WHO Safe Community Design Project, as well as staff vacancies and discretionary program savings. SDFA is projecting a favourable variance of $0.856 million gross and $0.055 million net or 3.2% and 0.3% of the 2008 Approved Operating Budget at year end.

Social Services' favourable year-to-date net under expenditure of $6.064 million is mainly attributable to the lower Ontario Works (OW) social assistance costs, lower OW cost of administration, and the prior year unbudgeted Ontario Drug Benefit (ODB) rebate of $1.0 million from the Province. The projected year-end net favourable variance of $7.631 million is due to the following:

- The OW average monthly caseload is projected to be 76,000 (1,000 cases lower than the budgeted caseload of 77,000 cases) resulting in an under expenditure of $5.6 million in social assistance costs and cost of administration;
- The Ontario Disability Support Program (ODSP) costs are projected to be underspent by $1.0 million due to lower Provincial billing for the ODSP administration; and,
- An unbudgeted ODB rebate announced by the Province of $1.0 million.

3-1-1 Customer Service Strategy reported a favourable variance of $0.395 million or 22.9% gross and $0.003 million or 0.1% net for the six-month period ending June 30, 2008. The favourable gross expenditure variance and the corresponding reduction in recoveries from capital are mainly due to under-spending in salaries because of delays in signing the Technology Solution contract. Due to the same reason, the Program is projecting a favourable gross variance of $0.395 million and a corresponding reduction in recoveries from capital, which will result in a zero net variance at year end.

Citizen Centred Services "B"

Citizen Centred Services "B" reported an unfavourable net variance of $19.044 million or 5.1% of planned expenditures for the period ending June 30, 2008 and project a year end net over expenditure of $15.288 million or 3.3% of the 2008 Approved Operating Budget. The projected net over-expenditure includes significant over-expenditure in Transportation Services ($15.231 million), and Fire Services ($3.068 million) as indicated in Table 3 below.

Table 3 Citizen Centred Services "B" Net Expenditure Variance ($ Million)		
	June 2008 Over/(Under)	Projected Y/E 2008 Over/(Under)
City Planning	0.1	0.0
Fire Services	0.7	3.1
Municipal Licensing & Standards	(1.3)	(0.6)
Policy, Planning, Finance and Administration	0.8	(0.0)
Solid Waste Management Services	(4.3)	(1.8)
Technical Services	1.4	0.0
Toronto Building	3.0	0.0
Toronto Environment Office	(1.0)	(0.6)
Transportation Services	19.7	15.2
Waterfront Secretariat	(0.1)	0.0
Sub-Total	19.0	15.3

Toronto Building reported a favourable net expenditure variance of $2.955 million or 48.9% of planned expenditures for the six months ended June 30, 2008. This favourable variance was largely attributed to lower staff expenses due to a higher than anticipated vacancies. The Program expects that the under spending due to hiring delays will decrease throughout the remainder of the year due to an aggressive hiring strategy and anticipated payouts arising from the wage harmonization appeal award. Revenues are expected to be on target by year end and therefore the Program projects that it will be on budget by year end.

City Planning reported an unfavourable net expenditure variance of $0.065 million or 1.2% of planned expenditures for the six months ended June 30, 2008. This variance was the result of lower than anticipated revenues stemming from the mix of Community Planning application types received to date, which generated lower revenue than application mixes experienced in previous years. Based on pre-consultation trends, City Planning anticipates that revenues will recover in the second half of the year. The unfavourable variance was somewhat offset by savings from staff vacancies. Numerous competitions for these vacant positions are either underway or nearing completion. The Program is projecting that expenditures and revenues will be on budget by year end.

Fire Services was overspent by $0.684 million net or 0.4% of planned expenditures for the period ending June 30, 2008. This is primarily the result of higher than budgeted gross expenditures of $0.500 million for salaries and benefits. This variance is composed of under-spending on salaries & benefits of $2.300 million offset by unbudgeted spending of $2.800 million for WSIB cancer claims. Non-salary spending was close to budget with a favourable variance of 0.2% or $0.036 million. As of June 30, 2008, lower false alarm fees, due to lower call volumes, offset by unbudgeted recoveries including fines, registration and rental fees, resulted in an unfavourable revenue variance of $0.200 million.

The year end projection of $3.068 million reflects the continuing impact of unbudgeted expenditures for WSIB occupational illness claims, which at a minimum are $2.800 million. In addition, non-salary accounts are expected to be on budget, salary and benefit under spending is projected to be $1.600 million due to gapping. With year end revenues projected to be on budget, it is anticipated Fire Services will have a net unfavourable variance of $1.200 million or 0.3%.

Municipal Licensing and Standards reported a favourable net expenditure variance of $1.281 million or 15.3% of planned expenditures for the six months ended June 30, 2008. The favourable variance is primarily the result of savings of $1.035 million in salaries and benefits from vacancies of 38 full-time positions. These savings have been somewhat offset by $0.491 million in unrealized revenues mainly resulting from a delay in hiring seasonal enforcement staff for the Dog and Cat Licensing Strategy. The Program is projecting a year end favourable net expenditures variance of $0.585 million or 3.0% of the 2008 Approved Operating Budget. The year end projection reflects a gross under-expenditure of $1.085 million or 2.4% primarily due to savings in Salaries and Benefits and an under recovery of revenues of $0.500 million or 1.9%.

Policy, Planning, Finance and Administration (PPF&A) reported an unfavourable net expenditure variance of $0.843 million or 8.3% of planned expenditures for the six months ended June 30, 2008. This variance is mainly attributed to delayed capital recoveries for staff supporting Toronto Water which are expected to occur in the third quarter. The revenue shortfall has been partly offset by vacant positions that are expected to be filled by year end as restructuring is completed in PPF&A. As a result the Program expects to be on budget at year end.

Solid Waste Management Services (SWMS) was underspent by $4.272 million net or 5.1% of planned expenditures as of June 30, 2008. This is primarily the result of lower contracted costs of recycling of $3.100 million and lower payments-in-lieu of taxes of $0.300 million partially offset by expenditures for overtime, unachieved gapping and benefit costs of $1.400 million. During the six months ended June 30, 2008 a favourable revenue variance of $2.600 million was realized due to higher revenue of $3.200 million from the sale of recyclable materials and associated commodity prices and from Industrial, Commercial and Institutional collection and from the sale of steel bins. These higher revenues were offset by $0.600 million in lower revenue due to lower paid tonnage at transfer stations and Green Lane as well as delayed Provincial funding and lower than expected corporate user fees and school board fees.

Year end expenditures are projected to be close to budget with under-expenditures for recycling offset by higher costs for shipping waste to Michigan, including tonnage amounts and fuel surcharges and the increased cost of processing organics and leaf and yard waste. At year end revenues are projected to have a favourable variance of $1.778 million. This revenue surplus is composed of $3.600 million for higher than expected revenue from the sale of recyclable material and $1.900 million for higher than anticipated contributions from reserve funds offset by lower tonnage fees from Green Lane and transfer stations of $3.700 million. As a result, it is projected that Solid Waste Management Services will have a net favourable variance of $1.820 million or 1% at year end.

Technical Services' actual gross expenditure, as of June 30, 2008, is $2.200 million or 7.7% under planned expenditures for this period. The favourable gross variance is attributed primarily to salary savings from 30 full-time vacant positions. Revenues are $3.624 million or 16.5% below budget, resulting from the under-recovery of revenues from clients and a shortfall in Development Engineering fees, due to lower than projected revenues from review of development applications. Net expenditures are $1.423 million or 21.8% above budget, which is largely the result of declining revenue and lower than forecast expenditures. The Program is forecasting that it will be on budget at year end.

Transportation Services reported an unfavourable net expenditure variance of $19.726 million or 22.8% of planned expenditures as at June 30, 2008. This unfavourable variance was primarily due to increased snow removal costs arising from the large accumulation of snow from January to April 2008. This resulted in over-expenditures in salt, sand and snow removal activities in the amount of $23.600 million. The over-expenditures were partially offset by underspending in asphalt and roadside maintenance of $2.800 million and facility maintenance of $0.600 million. Transportation Services is projecting a year end net over-expenditure of $15.231 million or 9.1%.

Toronto Environment Office (TEO) reported a favourable net variance of $0.995 million or 60.8% of planned expenditures for the six months ended June 30, 2008. This variance was due to the restructuring of TEO which has delayed the hiring for a large number of vacant positions. The delays in hiring have also resulted in under-expenditures related to the Live Green Initiative in the areas of advertising and promotion. The recruitment process in now underway to fill a number of these positions and the Program is projecting a year end favourable $0.606 million or 17.6% of the 2008 Approved Operating Budget.

Waterfront Secretariat reported a favourable net expenditure variance of $0.106 million or 19.6% of planned expenditure for the six months ended June 30, 2008. This favourable variance was due primarily to deferral in retention of external expertise to the latter part of the year. Consequently, aside from savings anticipated due to hiring delays, the Secretariat expects to meet its 2008 approved net budgetary target of $1.082 million by end of year.

Internal Services

During the six months ended June 30, 2008, Internal Services reported a favourable net expenditure variance of $4.073 million or 4.8% of planned expenditures and is projecting a year end under-expenditure of $2.431 million or 1.6% of the 2008 Approved Operating Budget. The Office of the Treasurer is the major contributor to this favourable variance as shown in Table 4 below.

Table 4 Internal Services Net Expenditure Variance ($ Million)		
	June 2008 Over/(Under)	Projected Y/E 2008 Over/(Under)
Office of the Chief Financial Officer	(0.5)	(0.5)
Office of the Treasurer	(2.5)	(2.5)
Public Information & Creative Services	(0.2)	(0.2)
Facilities & Real Estate	0.0	0.0
Fleet Services	0.5	0.8
Information & Technology	(1.4)	(0.0)
Sub-Total	(4.1)	(2.4)

The ***Office of the Chief Financial Officer*** (inclusive of Financial Planning, Special Projects, Corporate Finance and Finance & Administration Divisions) reported a favourable net variance both at June 30, 2008 of $0.483 million or 10.2% of planned expenditures and projected an under-expenditure of $0.533 million or 5.2% of the 2008 Approved Operating Budget, respectively. The favourable variance is primarily attributed to delays in filling vacant positions.

The ***Office of the Treasurer*** (inclusive of Revenue Services, Accounting Services, Pensions, Payroll & Employee Benefits and Purchasing & Materials Management Divisions) reported a favourable net expenditure variance of $2.536 million or 17.7% of planned expenditures for the period ending June 30, 2008 and is projecting a favourable year end net expenditure variance of $2.465 million or 7.9% of the 2008 Approved Operating Budget. The favourable variance was primarily due to savings in salaries resulting from delays in filling vacant positions, delays in capital project start-up, not backfilling short term accounts receivable assignments and the delays experienced in hiring staff for new initiatives. Savings in non-salary accounts are related to the decreased staffing levels. Revenues were slightly over-achieved ($0.300 million) due to lower than anticipated recoveries, delays and deferrals of existing and new initiatives which were offset by higher external revenues. This net favourable variance will be slightly reduced during the remainder of the year as vacancies are filled and related start-up costs are incurred.

Public Information and Creative Services reported a favourable net expenditure variance of $0.155 million or 13.9% of planned expenditures for the period ending June 30, 2008. This is mainly attributed to savings from vacant positions. The Program is forecasting that year end net expenditures will be at the same level as at June 30, 2008.

Facilities & Real Estate reported a zero net expenditure variance for the six-month period ending June 30, 2008. Revenue projections to year end indicate a favourable variance of $1.012 million, offset by an equal gross over-expenditure, resulting in a projected zero net expenditure variance at year end. The over achieved revenue and over-expenditure offset, are the result of a change in lease agreements with external commercial tenants that required that the City (as landlord) collects property taxes from its tenants and then remit these taxes to Revenue Services Division. This practice is consistent with that used in the private sector.

For the six months ending June 30, 2008, ***Fleet Services*** reported an unfavourable net expenditure variance of $0.547 million compared to planned net expenditures. This was mainly attributed to the impacts of unfunded retroactive pay and wage increases totaling $0.400 million for 9 positions resulting from job evaluations. In addition, the delay in fully implementing the parts consignment contract at all Fleet locations due to unforeseen problems in the system interface process resulted in a loss of bulk purchase savings in parts supply of $0.200 million. The Program is projecting an unfavourable net variance at year end of $0.800 million primarily due to same reasons as the second quarter's variance.

Information & Technology reported a favourable net expenditure variance of $1.447 million or 5.3% of planned expenditures for the six months ended on June 30, 2008. The favourable variance was primarily due to delays in filling vacancies resulting from various recruitment challenges facing the Division. Some of the resultant savings in salaries and benefits are offset by the decrease in corresponding recoveries from Capital, causing revenues to be below budget. There is also an offset from increased contracted professional services required for the development of new processes and standards within the new organization structure as a result of the IT Governance and Transformation project. The Program is projecting a favourable net variance at year end of $0.029 million or 0.1% of the 2008 Approved Operating Budget.

City Manager

The ***City Manager's Office*** (which includes Human Resources) reported an unfavourable variance of $0.273 million or 1.6% of planned expenditures for the six-month period ended June 30, 2008. This is primarily due to higher labour costs experienced by the Human Resources Division as a result of a decision to fill critical positions to meet significant client pressures and demands for specialized human resources services in the first six months. By year end expenditures and client recovery of funds to provide these specialized services will offset the increase in labour costs to yield a projected favourable variance of $0.488 million or 1.3% of the 2008 Approved Operating Budget.

Table 5
City Manager Office
Net Expenditure Variance ($ Million)

	June 2008 Over/(Under)	Projected Y/E 2008 Over/(Under)
City Manager's Office	0.3	(0.5)

Other City Programs

Collectively, other City Programs reported a favourable net variance of $3.050 million or 7.7% of planned expenditures for the six-month period ended June 30, 2008 and are projecting a year end under-expenditure of $2.482 million or 3.2% of the 2008 Approved Operating Budget.

Table 6
Other City Programs
Net Expenditure Variance ($ Million)

	June 2008 Over/(Under)	Projected Y/E 2008 Over/(Under)
City Clerk's Office	(0.0)	0.0
Legal Services	(1.7)	(1.2)
Mayor's Office	(0.2)	(0.1)
City Council	(1.1)	(1.2)
Sub-Total	(3.0)	(2.5)

The ***City Clerk's Office*** reported a favourable net variance of $0.039 million or 0.2% of planned expenditures for the six months ended June 30, 2008 primarily due to lower spending in printing materials and supplies as a result of lower printing and copying service demand by clients. Lower expenditures in equipment rentals, license fees, and interdivisional charges also contributed to the under spending which was offset by lower revenue. This was due to significantly reduced demand for printing and reproduction as a result of the implementation of the Toronto Meeting Management Information System. The Program is projecting an unfavourable year end net expenditure variance of $0.037 million.

Legal Services reported a favourable variance of $1.685 million or 16.1% of planned expenditures for the six-month period ending June 30, 2008. This was mainly due to not filling vacant positions and savings in telephones and training & development. Projections to year end indicate a favourable variance of $1.191 million or 5.7% of the 2008 Approved Operating Budget which is mainly attributed to savings in staff training, equipment and office supplies.

The ***Mayor's Office*** reported a favourable net variance of $0.189 million or 15.1% of planned expenditures for the six-month period ending June 30, 2008, primarily due to delays in hiring staff and purchasing the constituency database and scheduling system. By year end, the Mayor's Office is projecting a favourable net variance of $0.103 million or 4.0% of the 2008 Approved Operating Budget as a result of savings in staff salaries and benefits.

City Council reported a favourable variance of $1.137 million or 11.6% of planned expenditures for the six month period ended June 30, 2008 and projects net under-expenditure of $1.224 million or 6.2% of its 2008 Approved Operating Budget by year end. This net favourable variance is primarily due to underspending in some Councillors' staff salaries & benefits and office budgets.

Accountability Offices

Table 7
Accountability Offices
Net Expenditure Variance ($ Million)

	June 2008 Over/(Under)	Projected Y/E 2008 Over/(Under)
Auditor General's Office	(0.0)	(0.0)
Integrity Commissioner's Office	(0.0)	(0.0)
Lobbyist Registrar	(0.1)	(0.0)
Office of the Ombudsperson	(0.1)	0.0
Sub-Total	(0.2)	(0.1)

The Accountability Offices collectively reported a net under-expenditure of $0.214 or 9.1% for the six-month period ended June 30, 2008. Collectively, these programs are projecting favourable a net variance of $0.056 million or 1.0%.

The Auditor General's Office reported a favourable variance of $0.032 million or 1.7% of planned expenditures for the six-month period ended June 30, 2008 and is projecting a year end favourable variance of $0.050 million or 1.2% of the 2008 Approved Operating Budget which is mainly due to savings from vacancies.

The Office of the ***Integrity Commissioner*** reported a net favourable variance of $0.025 million for the six-month period ended June 30, 2008 due to lower spending in services and rents and expects a net favourable variance of $0.004 million at year end.

The Lobbyist Registrar reported a favourable variance of $0.075 million or 22% of planned expenditures for the six-month period ended June 30, 2008. The Program is projecting that it will be on budget at year end.

There was no activity in ***the Office of the Ombudsperson*** during the six months ended June 30, 2008. The recruitment process for hiring is underway and the Mayor will recommend appointment of the Ombudsperson at the September 2008 Council meeting.

Agencies, Boards and Commissions

Collectively, Agencies, Boards and Commissions (ABCs) reported an unfavourable net expenditure variance of $5.733 million or 0.9% of planned expenditures for the six-month period ended June 30, 2008. The ABCs are projecting a year end net under expenditure of $3.035 million or 0.2% of the 2008 Approved Operating Budget. This unfavourable variance is primarily due to over-expenditure in TTC – Conventional Services.

Table 8
Agencies, Boards and Commissions
Net Expenditure Variance ($ Million)

	June 2008 Over/(Under)	Projected Y/E 2008 Over/(Under)
Toronto Public Health	(0.3)	(0.4)
Toronto Public Library	(0.2)	(0.0)
Association of Community Centres	(0.1)	0.0
Exhibition Place	(0.4)	0.0
Heritage Toronto	0.0	0.0
Theatres	0.5	0.1
Toronto Zoo	(0.1)	(0.0)
Arena Boards of Management	(0.5)	0.0
Yonge Dundas Square	(0.1)	(0.0)
Toronto & Region Conservation Authority	0.0	0.0
Toronto Transit Commission - Conventional	7.4	4.8
Toronto Transit Commission - Wheel Trans	(0.6)	(1.4)
Toronto Police Service	0.0	(0.0)
Toronto Police Services Board	0.0	0.0
Sub-Total	5.7	3.0

Toronto Public Health (TPH) reported favourable gross and net expenditure variances of $2.832 million and $0.255 million or 2.9% and 1.2% of planned expenditures respectively for the six-month period ended June 30, 2008. The favourable gross and net expenditure variances were primarily the result of under spending in salaries and benefits due to delays in hiring in the first half of the year which will continue to year end. The Program is projecting a favourable net variance of $0.374 million or 0.9% of the 2008 Approved Operating Budget.

The ***Toronto Public Library's (TPL)*** favourable net variance of $0.207 million for the six months ended on June 30, 2008 was mainly attributed to the higher than budgeted revenue from external grants and other revenue, along with spending restrictions in expenditures to ensure that the annual net expenditures do not exceed the 2008 Approved Operating budget. The favourable net variance was partially offset by the over-expenditures in materials, supplies and services due to increasing costs and service demands. The projected year end favourable variance of $0.010 million is primarily due to a combination of higher than budget funding from external grants and other revenues, along with on-going monitored spending restrictions.

The ***Association of Community Centres (AOCC)*** reported an unfavourable gross and net variance of $0.087 million or 2.6% of planned expenditures for the six-month period ended June 30, 2008 primarily due to monthly transfer payments from the City not matching the pattern assumed in the budget. The Association of Community Centres is projecting that it will on budget at year end.

Exhibition Place reported a favourable net variance of $0.421 million for the six-month period ended June 30, 2008, primarily due to greater then expected show, services and food and beverage revenues at the National Soccer Stadium (BMO Field). Exhibition Place is projecting that it will on budget at year end.

Theatres reported an unfavourable net variance of $0.468 million or 26.9% of planned expenditures for the period ending June 30, 2008. At year end, the Theatres are projecting a year end unfavourable net variance of $0.091 or 2.4% of the 2008 Approved Operating Budget primarily due to lower than budgeted revenues on a key show and days of use at the Sony Centre.

The ***Toronto Zoo*** reported a net favourable variance of $0.079 million or 1.2% at the end of June 30, 2008 which is primarily due to delayed invoicing by vendors. The Program is projecting $0.015 million or 0.1% year end net favourable variance due to efficiencies in utilities.

For the period ending June 30, 2008, the ***Arena Boards of Management*** reported a favourable net expenditure variance of $0.454 million primarily due to seasonal fluctuations in revenues (prepaid program registration fees) and expenses, and actual expenditures not matching the pattern assumed in the budget. These variances are expected to self-adjust over the course of the year and the Arena Boards of Management Program is projecting that it will on budget at year end.

The ***Toronto Transit Commission (TTC)*** had a net unfavourable expenditure variance of $7.444 million or 6.7% for the six-month period ended June 30, 2008. This unfavourable variance results from passenger revenue on the Conventional service being $2.000 million less than planned primarily due to the effects of the strike in April. This is partially offset by other revenue which is $0.200 million higher than budget.

TTC expenditures are $5.700 million over budget as a result of higher service delivery costs due to increased snow removal as a result of higher than normal snowfall in early 2008. Also, there were unplanned bus axle repairs on the Orion V bus fleet and additional structural/collision repair work on the bus fleet to address a shortage of vehicles available for service due to the late delivery of new buses (which were expected in 2008). In addition, there was also unanticipated work required on subway vehicles and increased SRT maintenance as well as the addition of 6 new Route Supervisors who have been hired to improve streetcar service.

Wheel-Trans reported net under-expenditures which were favourable by $0.617 million or 2.1% because of a reduction in the number of passenger trips carried by bus due to constrained vehicle availability resulting from the aging Wheel-Trans fleet.

It is currently projected that the TTC and Wheel-Trans combined will be $3.376 million or 1.3% over budget at year end. However, TTC staff will continue to closely monitor revenues and expenses in order to be on budget by year end.

Toronto Police Service (TPS) reported that the Program was on budget for the period ended June 30, 2008 and is projecting to be in line with their 2008 year end Approved Net Operating Budget of $798.3 million. TPS has identified $2.800 million of in-year savings which enables them to achieve the Council approved unallocated Budget reduction of the same amount. These savings may not be sustainable in the future which could result in additional pressures for the 2009 Operating Budget.

Yonge Dundas Square reported a favourable net expenditure variance of $0.058 million or 20% of net planned expenditures resulting from increased activity and usage by major festivals and cultural events for the six-month period June 30, 2008. The Program is projecting a favourable year end net expenditure variance of $0.033 million or 5.6% of the 2008 Approved Operating Budget as a result of the increased activity.

Corporate Accounts

For the period ending June 30, 2008, ***Corporate Accounts*** experienced a favourable variance of $14.109 million or 11.8% on a net basis. The favourable variance was primarily due to lower actual expenditures compared to budget and higher than budgeted revenues during the first six months of the year. The projected year end favourable net variance of $9.659 million or 29.4% of the 2008 Approved Operating Budget is mainly attributed to: higher than anticipated investment income ($3.380 million); higher Toronto Parking Authority revenues due to increased volume ($4.814 million); and higher than budgeted revenues from Parking Tag Operations (($1.475 million).

Table 9 Corporate Accounts Net Expenditure Variance ($ Million)		
	June 2008 Over/(Under)	Projected Y/E 2008 Over/(Under)
Community Partnership and Investment Program	(4.7)	0.0
Capital & Corporate Financing	0.0	0.0
Non-Program Expenditures	(5.3)	1.4
Non-Program Revenues	(4.0)	(11.1)
Sub-Total	(14.1)	(9.7)

The favourable variance of $4.742 million in the ***Community Partnership and Investment Program (CPIP)*** was primarily due to timing differences in disbursements, as most payments for 2008 grants are made only after Council approves the 2008 allocation reports, which were approved in June 2008. Nonetheless, projections for the year indicate that CPIP will be on budget at year end.

Capital & Corporate Financing reported that expenditures are on budget for the six-month period ending June 30, 2008. The Program is projecting that there will be no variance at year end.

Non-Program Revenues realized higher than expected revenues for the six-month period ended June 30, 2008 and project that this will continue to year end. Interest / Investment earnings exceed budget due to higher than forecasted rates of return and Parking Tag Enforcement & Operations also exceeded budgeted revenues. Based on the six-month period ended June 30, 2008 the Municipal Land Transfer Tax (MLTT) revenue is on budget and considering the anticipated real estate market conditions, the MLTT net revenue is forecasted at $155.000 million as budgeted.

Non Levy Operations

Table 10 Non Levy Operations Net Expenditure Variance ($ Million)		
	June 2008 Over/(Under)	Projected Y/E 2008 Over/(Under)
Toronto Parking Authority	0.0	0.0
Toronto Water	(17.1)	12.1
Sub-Total	(17.1)	12.1

The ***Toronto Parking Authority's (TPA)*** actual gross expenditure as of June 30, 2008 is $0.406 million or 1.3% over the planned expenditures. Revenues are $1.681 million or 3.0% over the budgeted estimates, reflecting a general improvement throughout all areas of the City regarding revenue generation from off-street and on-street parking facilities. Net revenues are $1.275 million or 5.4% above budget, which is largely the result of increased gross revenue.

The projected year end net revenue for the Authority is $52.130 million. This represents an increase of approximately $2.513 million or 5.1% compared to the 2008 Operating Budget of $49.617 million. The increase in net revenue is primarily attributed to higher than forecasted gross revenues, as noted above.

Toronto Water's actual gross expenditure, as of June 30, 2008, is $9.564 million or 5.4% under the planned expenditures. The favourable variance is attributed primarily to salary savings from vacant positions. Revenues are $7.563 million or 2.9% over budget, reflecting minor timing differences in water billings. Net expenditures are $17.127 million or 25.6% below planned levels, which are largely the result of increased revenue recognition and lower than forecasted gross expenditures, as noted above.

The Program is reporting that year end water sales and sewer surcharges will not be achieved and is forecasted to be approximately $28.847 million or 4.3% below the 2008 Approved Operating Budget of $677.393 million given the performance as at June 30, 2008. The projected decline in water sales revenue is attributed to lower consumption throughout the summer months. Toronto has already experienced a high-water-mark as the wettest summer on record. This decline will be partially offset by. a lower than anticipated year end gross expenditure projection of $16.743 million or 4.5% compared to the 2008 Approved Operating Budget of $375.207 million which is largely attributed to salary savings and reduced utility costs due to lower water production. The 2008 year end net gross expenditure projection for Toronto Water is $12.103 million, and reflects lower than forecasted revenues and gross expenditures

Budget Adjustments

Shelter, Support and Housing Administration

Shelter, Support and Housing Administration (SSHA) is requesting that funds received from the Province amounting to $21.446 million, to create new affordable housing, be transferred to the Capital Revolving Reserve Fund and that SSHA's 2008 Operating Budget be increased by $6.1 million gross and revenues representing the 2008 projected construction payments to housing providers under the Canada-Ontario Affordable Housing Program.

On August 31, 2005 the City entered into a Memorandum of Understanding to work with the federal and provincial governments to create new affordable housing under the terms of a new Canada-Ontario Affordable Housing Agreement. The Affordable Housing Office received $21.466 million from the Provincial government, earmarked for specific projects. These projects were approved by City Council under the Canada-Ontario Affordable Housing Agreement.

City Council, at its meeting on May 23, 24 and 25 2007, adopted, with amendments, the recommendations included in Report No. EX.8.7 entitled “Affordable Housing - Funding Recommendations Request for Proposals 9155-06-7380 and TCHC - Wards 11, 14, 17, 18, 20, 21, 22, 28, 29 and 35”. The report recommended various affordable housing projects that were to be funded under the Canada-Ontario Affordable Housing Program.

Facilities & Real Estate

Facilities and Real Estate, through the Energy Efficiency Office (EEO), is responsible for development and administration of the City's Conservation and Demand Management Response Program. Under the terms of the Master Program Agreement with the Ontario Power Authority (OPA), the City has to achieve 90 MW of electricity demand reduction. In turn, the Ontario Power Authority will provide financial incentives to various entities delivering conservation and demand response measures to achieve that target. The financial incentives will be paid to the City, which will redirect payments to all participating entities upon delivery of their individual programs.

Based on an internal review of applications and programs to be delivered in 2008, the Energy Efficiency Office estimates that about $2.400 million in financial incentives will be paid by the OPA this year. Presently, the Facilities and Real Estate's Operating Budget does not have any provisions for financial incentive receipts/payments. It is, therefore, recommended that the 2008 Operating Budget for Facilities and Real Estate be increased by $2.4 million gross expenditures and revenues to enable the Program to receive the Ontario Power Authority financial incentives for conservation and demand response measures delivered by the various entities participating in the program. This adjustment will have no impact on the Program’s net budget.

Public Information & Creative Services

During the 2008 Budget process, Public Information & Creative Services (PICS) budgeted $15,000 for ongoing site maintenance of the Immigration Web Portal, with the intention of budgeting $15,000 in the following years until the funds committed by the Province was fully utilized. After providing the Province with an audit of the current expenditures, PICS was informed that the remaining funds in the amount of $46,983.77 million had to be used by the end of 2008 otherwise the balance will have to be returned to the Province. In view of this, a budget adjustment of $46,983.77 million is required in order to transfer the deferred revenue into PICS’ budget to support the Toronto Immigration Portal. Funds in the amount of $20,000 will be used for Focus Group Testing, $15,000 for Content Development and the balance for Advertising.

Consulting Costs

The total 2008 budgeted consulting costs are $2.813 million and the City's actual consulting costs were $2.435 million as at June 30, 2008. The Deputy City Manager & Chief Financial Officer will continue to monitor consulting expenditures and report through future operating variance reports.

Approved Positions

The City budgets and monitors its staff complement based on Approved Positions. As at June 30, 2008, the City reported 45,570.8 full-time approved positions (43,413.6 permanent and 2,157.2 casual/seasonal) and 4,364.3 part-time approved positions (1,640.4 permanent and 2,723.9 casual/seasonal). This reflects a decrease of 2.6% from the 2008 Council Approved Positions which occurred mainly due to delays in filling vacant positions and seasonal fluctuations within City Programs/ABCs.

Utility Costs

As at June 30, 2008, levy and rate operations reported utility costs of $67.588 million (compared to the planned expenditures of $71.097 million). By year end, the City is projecting total utility cost to be $151.119 million (compared to a budget of $156.090 million) mainly due to lower consumption and energy. The under-expenditure for City utility costs was primarily the result of lower than planned consumption. These under-expenditures mostly occurred in: EMS; Parks, Forestry & Recreation, Toronto Zoo, Exhibition Place, the TTC and Toronto Water.

Technical Adjustments

Appendix D lists budget adjustments made between January 1 and June 30, 2008. These adjustments amend the 2008 Council Approved Operating Budget between Programs to ensure accurate reporting and financial accountability, and do not increase the overall 2008 Council Approved Operating Budget.

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ATTACHMENTS

Appendix A – Net Expenditures
Appendix B – Gross Expenditures
Appendix C – Revenues
Appendix D – Budget Adjustments