

# Analyst Briefing Notes

## Budget Committee

(February 10, 2009)

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## Executive Summary

- The Office of the Treasurer provides effective financial services to Divisions, Agencies, Boards and Commissions through the provision of timely pension, payroll and benefit services; procurement and materials management services; accounting, banking and accounts payable services; and revenue billing, collection and payment processing services related to property taxation, water and sewage services, solid waste fees and parking tickets.
- The Office of the Treasurer faces both challenges and opportunities over the next 3 years. They include:
  - New legislative requirements with respect to property assessment and taxation including new property classes for newly constructed commercial & industrial buildings and the 4-year phase-in of market related assessment increases.
  - New legislative changes relative to new accounting standards for 2009 financial statements including financial reporting and recognition of tangible assets.
  - Ensuring adequate information technology support to take advantage of available functionality to improve current business processes and reporting requirements.
  - Maintaining adequate staffing levels to manage increased service demands.

The Program has opportunities to realize synergies within current operations and by working with other City Programs to continue to improve knowledge base and better manage resources while enhancing services to customers.

- The Office of the Treasurer has established the following service objectives:
  - Implement and administer the four year phase-in of property assessment increases along with any Council approved property tax policies/programs.
  - Ensure ongoing sustainment of new revenue streams.
  - Develop and prototype new financial reporting and reporting of tangible capital assets standards (Public Sector Accounting Board (PSAB)).
  - Take advantage of available functionality in SAP to improve current business processes and reporting requirements.
  - Commence roll-out of the E-Procurement Implementation Plan and relevant performance measures.
  - Support collective bargaining for CUPE and Fire Services.
  - Continue governance review of the City sponsored pension plans.
- The 2009 Recommended Operating Budget includes funding for priority actions which addresses the challenges, opportunities and service objectives. Key priority actions include:
  - Administer and support the new corporate initiatives introduced in 2008 (Enhancing Toronto's Business Climate" strategy; Toronto's Imagination, Manufacturing, Innovation

- and Technology (IMIT) Financial Incentives Program; Woodbine Live tax incentive program; Toronto Tax Increment Equivalent Grant (TIEG) program).
- Begin Implementation of Water Meter Replacement and Automated Meter Reading projects.
  - Finalize SAP capital asset system configuration, testing and implementation.
  - Administer new user fees to offset administration costs.
  - Increase support for the introduction of the Water Rebate Program and Water Billings program due to the expected volume increase of rebate applications.
  - Implement capital asset accounting policies, procedures and systems as well as new financial reporting requirements to comply with Public Service Accounting Board (PSAB) requirements.
  - Develop E-Procurement roll-out plan and commence implementation in 2009.
  - Review and update all documentation and policies related to each of the City’s sponsored pension plans.
  - Increase Purchasing, Materials and Management Division’s staff to respond to increased service demands.
  - Provide bargaining support to Labour Relations.
- For 2008, the Office of the Treasurer is projecting to be \$3.520 million or 11.3% under-spent at year-end due to delays in filling vacant positions, including new positions to administer the new Municipal Land Transfer Tax (MLTT), Personal Vehicle Tax (PVT) and Solid Waste Billing Systems. This favourable variance is partially offset by lower than budgeted revenues as a result of lower inter-program recoveries from not filling positions related to the new revenue streams.
    - Some of the savings realized in 2008 as a result of the delay in filling vacant positions will continue in 2009. Most positions will be filled in order to implement the City’s new initiatives.

**Table 1: 2009 Recommended Budget**

	2008		2009 Recomm'd Operating Budget			Change - 2009 Recommended Operating Budget v. 2008 Appvd. Budget		FY Incremental Outlook	
	2008Appvd. Budget	2008 Projected Actual	2009 Base	2009 New/ Enhanced	2009 Operating Budget			2010	2011
	\$	\$	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	70,410.2	65,799.1	72,013.8	913.2	72,927.0	2,516.8	3.6	1,446.9	1,702.7
<b>REVENUE</b>	39,334.2	38,242.8	42,215.6	809.9	43,025.5	3,691.3	9.4	200.7	314.7
<b>NET EXP.</b>	31,076.0	27,556.3	29,798.2	103.3	29,901.5	(1,174.5)	(3.8)	1,246.2	1,388.0
<b>Approved Positions</b>	780.0	780.0	779.0	19.0	798.0	18.0	2.3		
<b>TARGET</b>			<b>30,454.5</b>		<b>30,454.5</b>				
<b>\$ Over / (Under) Program Target</b>			<b>(656.3)</b>		<b>(553.0)</b>				
<b>% Over / (Under) Program Target</b>			<b>(2.2%)</b>		<b>(1.8%)</b>				

- The 2009 Recommended Operating Budget for the Office of the Treasurer of \$72.927 million gross and \$29.902 million net is \$1.175 million or 3.8 % lower than the 2008 Approved Operating Budget of \$31.076 million net, and is \$0.553 million or 1.8% lower than the 2009 target of \$30.455 million, set at 2% less than the 2008 Approved Operating Budget.
- The 2009 Recommended Operating Budget is comprised of base funding of \$72.014 million gross and \$29.798 million net and funding for new/enhanced service priorities of \$0.913 million gross and \$0.103 million net. Approval of the 2009 Recommended Operating Budget will result in the Program's staff complement increasing by 18 positions (net) to 798 approved positions.
  - The 2010 Outlook anticipates a net increase of \$1.246 million in operating costs which includes ongoing merit and step adjustments and the impact of the 2009 hiring delays in 2010, operating impacts of capital projects and inter-program recoveries for services provided.
  - The 2011 Outlook includes a projection of \$1.388 million for merit and step adjustments to staff compensation, operating impacts of capital projects and inter-program recoveries for services provided.
- The 2009 Recommended Base Budget incorporates the Program's key cost drivers including the annualized cost of living adjustments (COLA), merit and step increases, the reversal of an additional working day in 2008 and other non-discretionary expenditures that total \$2.001 million. These cost pressures are offset by inter-program recoveries of \$1.473 million, user fees and increased vendor discounts of \$1.420 million, recommended service efficiencies, including savings for hiring delays that total \$0.397 million.
- The 2009 Recommended New / Enhanced Service Priority Actions totaling \$0.913 million gross and \$0.103 million net, promote the objectives of the Program in maintaining service delivery, and addressing Council's priorities. These include:
  - To address the increased service demands related to new taxation programs, \$0.201 million gross, fully recovered from new Non-Program revenues, is recommended for 2 new positions to manage, administer and report on new revenue streams.
  - To maintain adequate customer service coverage and meet increased demand during high volume periods, \$0.295 million is recommended for 11 part time staff to provide part-time coverage at Revenue Services counters (including First Appearance Facilities for parking tickets) and Call Centre. The cost of \$0.192 million for these positions will be recovered from Toronto Water, Solid Waste Management and Parking Tag Operations.
  - To implement new Council directives for the Water Rebate and Water Billing programs directed to low income seniors and disabled persons, \$0.150 million fully recovered from Toronto Water is recommended for 2 staff to address the increased volume of rebate applications.
  - To address an increase in competitive call documents, \$0.267 million is recommended for 4 additional staff to support client divisions with procurement requirements, fully recovered from Technical Services, Toronto Water and Transportation Services.
- The 2009 Recommended Operating Budget will provide funding to maintain existing service levels with limited resources while implementing new Council priorities which include.
  - Implement PSAB reporting requirements for capital asset accounting.

- Improve and enhance customer service delivery in all service areas.
  - Improve percentage of invoices paid within 60 days from 90% in 2008 to 91% in 2009.
  - Maintain benefit and pension (OMERS) plans in accordance with requirements of the negotiated agreements at 98% accuracy.
  - Provide payroll cheques and statements on scheduled paydays 100% of the time and provide payroll reports 90% on time with 98% accuracy.
  - Increase number of bids received per call over the next 3 years from the 2008 projected 4.5 bids per call to a target of 6 bids.
  - Maintain an inventory distribution standard within 7 calendar days of the order.
  - Complete the implementation and ensure on-going sustainment of new corporate revenues introduced in 2008 (Municipal Land Transfer Tax, Personal Vehicle Tax and Solid Waste Collection fees).
  - Implement new taxation policies/programs as approved by Council.
  - Maintain timely and efficient processing and collection of the City's major revenues.
  - Implement organizational improvements from Accounting Services program review.
- The Office of the Treasurer will continue to provide accurate and timely transaction processing and quality Financial Reporting and Control services and ensure compliance with the accounting regulatory bodies, Federal and Provincial legislation and Council priorities. It will provide efficient materials and warehousing services; produce timely and accurate Payroll and cost effective employee pension and benefits; property tax and water billing and collection and parking tag collection.
  - The Office of the Treasurer currently has programs in place to protect vulnerable residents. Revenue Services will continue to communicate and promote these programs to residents:
    - Property tax increase cancellation program for low income seniors and disabled persons.
    - Property tax increase deferral program for low income seniors and disabled persons.
    - Water rebate for low income seniors and disabled persons.
    - Property Tax Poverty Appeals.
    - Property tax rebate for vacant commercial and industrial properties.
    - Property tax rebate for registered charities in commercial or industrial properties.
    - Pre-authorized property tax payment plan.

**Recommendations**

The City Manager and Acting Chief Financial Officer recommend that:

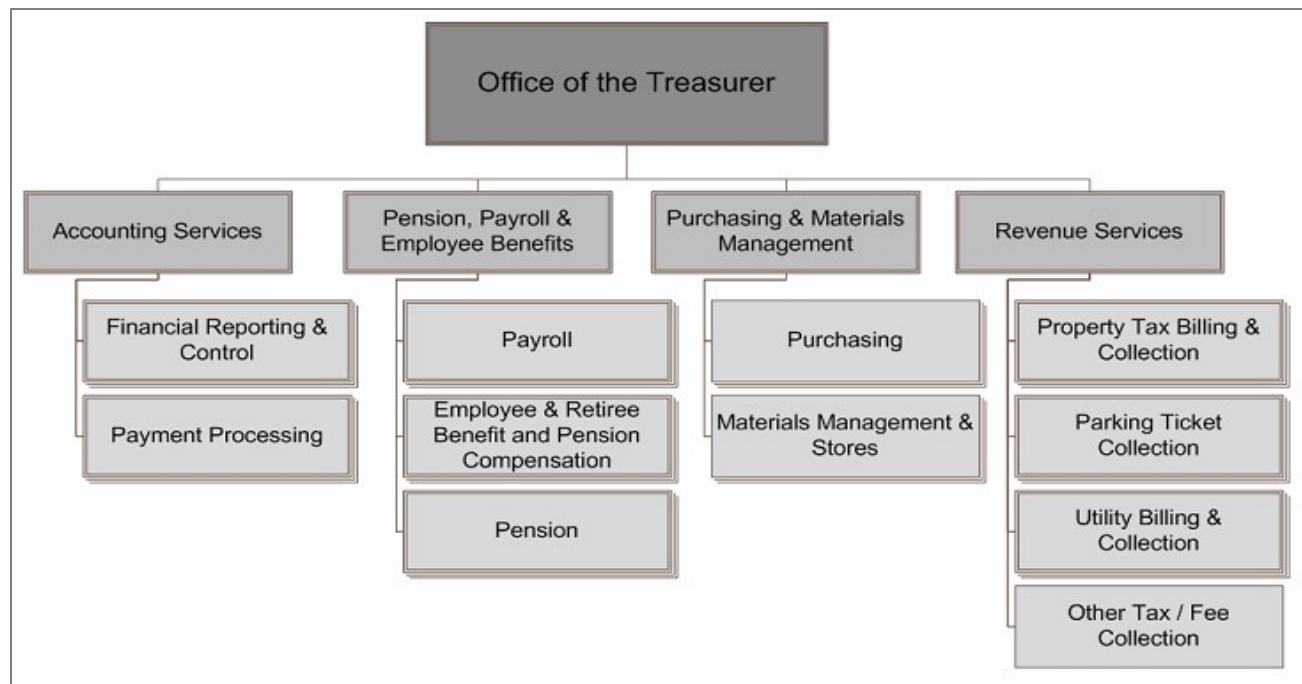
1. Council approve the 2009 Recommended Operating Budget for the Office of the Treasurer of \$72.927 million gross and \$29.902 million net, comprised of the following services:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Pension, Payroll and Employee Benefits	11,839.0	10,283.6
Purchasing & Materials Management	10,010.0	6,642.3
Accounting Services	12,267.0	8,897.1
Revenue Services	38,811.0	4,078.5
Total Program Budget	<u>72,927.0</u>	<u>29,901.5</u>

The Office of the Treasurer provides a broad range of internal financial services to the corporation of the City of Toronto, including ABCs and supports the strategic priorities of Council by ensuring accurate and timely pension, payroll and benefit services; procurement and materials management services; accounting, banking and accounts payable services; and billing, collection and payment processing services related to property taxation, water and sewage services, solid waste collection and parking tickets. Services are delivered through four main service areas:

- Accounting Services processes approximately 420,000 invoices annually with 90% of the payments made within 60 days; provides quality accounting and financial advisory services to all City divisions and City Agencies, Boards and Commissions within legislated timelines and in compliance with professional accounting principles, legislation, and Council policy.
- The Pension, Payroll & Employee Benefits Division provides accurate and timely pension, payroll and benefits services to employees and pensioners.
- The Purchasing & Materials Management Division (PMMD) manages an estimated \$2.1 million in inventory while processing over 66,000 store issues at its warehouses and issues annual Request For Purchase (RFP) calls valued at approximately \$110 million and issue tender calls valued at \$400 million.
- Revenue Services process 1.3 million tax bills with revenues of \$5.5 billion, approximately 2.8 million parking tickets with revenues of \$80 million, 1.5 million utility bills with revenues of \$1 billion annually. This division is also responsible for services relating to Personal Vehicle Tax; Municipal Land Transfer Tax, Business Improvement Areas and TTC VIP Metropass Program.

**Program Map**



### **Service Challenges and Opportunities**

Each Division within the Treasurer's Office supports all City Divisions, Agencies, Boards and Commissions, legislative bodies, City Council and the public with the delivery of effective financial services. The obligation to implement new City-wide initiatives coupled with the increased internal service demands and financial restraints results in the Office of the Treasurer facing the following challenges and opportunities over the next 3 years:

#### **Council Approved Policies**

- Implementation of Council's new policies "Enhancing Toronto's Business Climate" strategy (graduated tax rates, special tax treatment for newly constructed commercial buildings, expanded Heritage Tax Rebate program) and "Toronto's Imagination, Manufacturing, Innovation and Technology (IMIT) Financial Incentives Program" (City-wide tax incentive grant program) will impact on the Program's workload and will require new processes and procedures as well as IT system modifications.
- While the planning and implementation of the Municipal Land Transfer Tax (MLTT) and Personal Vehicle Tax (PVT) was completed in 2008, impacts are expected in 2009 as experience with the new taxes is obtained. This challenge in terms of implementing the functions of the new taxes into its regular operations and plan for on-going sustainment also presents an opportunity for synergies with the Province, Teranet and Revenue Services.
- With the introduction of fees for Solid Waste Management in 2008, impacts are expected in 2009 given that the program is new. This is both a challenge in terms of implementing and working through unexpected operational issues and opportunities to realize synergies with Toronto Water as well as property taxation.
- The City-wide water meter replacement project coupled with the simultaneous installation of an automated radio frequency-based Fixed Area Network meter reading system over its six-year implementation period presents a challenge and an opportunity to better manage water resources while enhancing services to both water customers and Toronto Water.

#### **Legislative Changes**

- New legislative requirements surrounding the 4-year phase-in of assessment values and new tax classes for newly constructed non-residential buildings must be in place for the 2009 taxation year. This will require new processes, procedures and IT systems modifications within Revenue Services. Adding to this challenge is the fact that the Province has not yet released the regulations detailing the legislative requirements for these new programs. As such, staff will have a very short period of time to review and incorporate and program the legislated requirements into its business processes and IT system prior to the calculation and issuance of the 2009 property tax bills.
- Addressing the legislative requirement to implement PSAB new accounting standards for 2009 financial statements:
  - Providing accurate financial reporting and recognition of tangible assets.
  - Preparing for compliance with International Financial Reporting Standards (IFRS).
  - Providing accurate reporting of Financial Instruments.



**Information Technology**

- Ensuring information technology support is adequate will be a challenge to:
  - Maintain and program the various billing and collection, property taxation and assessment systems. With the launch of new initiatives in 2008, full year impacts and service requirements are expected in 2009 while significant system modifications are required to the utility billing system to accommodate the installation of a radio frequency based Fixed Area Network system.
  - Allocate resources to program accounting changes required to properly record the City's tangible capital assets, expand the use of SAP and the periodic software maintenance and upgrades.
- Implementing and supporting information technology solutions to enhance customer service levels and improve efficiency of operations.
- Developing and supporting web-based applications which are an integral part of the operations. Programs are expanding the use of web-based, publicly accessible services.

**Human Resources**

- Managing customer service demands with existing resources is difficult given that current staffing levels are not adequate to meet current customer service demands, resulting in longer response times to customers. It is anticipated that there will be increased demand on the Revenue Services Call Centre when the 311 Contact Centre becomes operational in 2009.
- Difficulty in obtaining and retaining sufficient capacity (skill set and time) to staff special projects. There is difficulty in finding staff or external consultants with the required skill set to complete the various components of major corporate projects.
- Providing and coordinating the required staff resources to support both day to day operations and significant corporate projects (eg. Financial Planning and Reporting System (FPARS), Capital Asset Accounting, Document Management, Automated Meter Reading (AMR) project, new assessment and taxation legislation/policies, and possibly 311).
- Managing increased workload with current resources in the Purchasing & Materials Management Division.

**Service Objectives**

The Office of the Treasurer has developed a 3-year plan that prioritizes and aligns strategic initiatives that directly address the challenges and opportunities outlined above. In keeping with its service mandate, the service objectives are aligned with services identified in the Program map:

- Provide quality, timely and accurate Financial Information that adds value and ensures compliance with Generally Accepted Accounting Principles (GAAP), the Public Service Accounting Board (PSAB), Federal and Provincial legislation and Council policies.

- Plan, implement and administer property tax incentive programs approved by Council as part of its “Enhancing Toronto’s Business Climate” strategy and the “Toronto’s Imagination, Manufacturing, Innovation and Technology (IMIT) Financial Incentives Program”, Woodbine Live and Toronto Tax Increment Equivalent Grant (TIEG) program.
- Ensure ongoing sustainment of the City’s new revenue generating programs including Municipal Land Transfer Tax, Personal Vehicle Tax and the Solid Waste Fees.
- Implement and administer new provincial legislation and directives related to the 4-year phase-in of property assessment increases.
- Implement and administer new corporate tax policies and programs adopted by Council related to the introduction of updated property assessment values for the taxation years 2009 to 2012.
- Complete the Public Sector Reporting Requirements to account for and record Tangible Capital Assets in the City’s Annual Financial statements.
- Take advantage of the available functionality of SAP in order to improve current business processes and reporting requirements.
- Continue to explore, evaluate and implement systems enhancements and information technology improvements in business processes to enhance customer service, to the public, stakeholders and City Divisions and Agencies, Board and Commissions.
- Reduce the average time for the preparation and approval of a call document to 25 days in 2009 towards a target of 20 days in 2011.
- Maintain an inventory distribution standard within 7 calendar days of order.
- Improve customer service response levels.
- Review program delivery channels and methods. Implement policies and procedures to enhance customer service in all operations and broaden use of E-services to provide internet-based access to Revenue Services Programs and services. Improve the look, layout and content of the Divisions’ web pages.
- Develop and maintain corporate policies, procedures and guidelines to ensure the protection and efficient use of the City’s assets.
- Continue governance review of City sponsored pension plans.
- Provide collective bargaining support to Labour Relations for CUPE and Fire Services contract negotiations.
- Review innovative and cost effective ways of providing comprehensive, cost effective employee benefits and pension services to employees, management and retirees in an accurate and timely manner.

### **Priority Actions**

The 2009 Recommended Operating Budget provides \$29.902 million net in base and new funding for a broad range of services and activities that address the challenges, opportunities and service objectives for the Office of the Treasurer. These include:

- Begin implementation of the Water Meter Replacement and Automated Meter Reading project.
- The delay in processing competitive call documents for client divisions due to a substantial increase in work-load has resulted in a recommended increase of 4 positions in the Purchasing and Materials Management Division, dedicated to and funded by Transportation and Technical Services and Toronto Water, at a cost of \$0.267 million gross and \$0.00 million net.
- Develop E-procurement rollout plan and commence implementation in 2009 that will present e-procurement tools to be used to improve and implement more effective procurement processes, identify required resources to implement the tools.
- Provide client divisions with training courses on call document preparation and evaluation and other procurement processes.
- Continue to review and update all documentation and policies related to City sponsored pension plans.
- Provide Labour Relations with proposals related to the employee benefits plan and costing estimates related to collective bargaining (wages and benefits).

In addition to the specific service objectives for the service divisions, the Office of the Treasurer has also developed priority actions that directly address the Mayor and Council's priorities. Some of these initiatives include the following:

- Complete the implementation of the Personal Vehicle Tax (PVT), incorporate the processing and functions of the new taxes into on-going operations, and ensure continued sustainment of the revenues.
- Review and compile business requirements to identify needed enhancements for the City's utility billing system and to explore opportunities to fully integrate a utility system with an upgraded taxation system, such that both systems are supported by a current sustainable infrastructure and meet current and future revenue billing requirements, and to further automate and streamline business processes in order to promote operational efficiencies (including broader use of web-based services).
- Review and upgrade existing revenue systems to ensure continued sustainment of the City's new revenue sources (MLTT and PVT) and other fees and charges billed and collected.
- To address the increase in demand for reporting in water consumption and efficiency data and the increase in the volume of rebate application from the introduction of a new program for rebate of water billings for low income seniors and disabled persons, an increase of 2 positions in Revenue Services funded by Toronto Water at a cost of \$0.150 million is recommended.

- Staffing levels in the Call Centre and Correspondence Units is not adequate to meet current demand for tax enquiries. The introduction of property assessment values for the 2009 taxation year, coupled with the legislated requirements to phase-in assessment increases over 4 years will likely generate extensive customer service inquiries through the Call Centre and at counters. In order to reduce line-ups, response times and busy signals and maintain high level customer service, a pool of 11 trained customer service representatives is recommended on a temporary, part time basis to provide short-term coverage on as needed basis at a net cost of \$0.103 million.

Table 2: 2008 Budget Variance Review

(In \$000s)	2007 Actuals	2008 Approved Budget	2008 Projected Actuals*	2008 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	63,347.1	70,410.2	65,799.1	(4,611.1)	(6.5)
<b>REVENUES</b>	31,393.2	39,334.2	38,242.8	(1,091.4)	(2.8)
<b>NET EXP.</b>	31,953.9	31,076.0	27,556.3	(3,519.7)	(11.3)
<b>Approved Positions</b>	745.0	780.0	780.0	0.0	0.0

\*Projected Actual based on September 30, 2008 Variance Report

## 2008 Experience

The Office of the Treasurer's (inclusive of Revenue Services, Accounting Services, Pensions, Payroll & Employee Benefits and Purchasing & Materials Management) projected year-end net favourable variance is anticipated to be \$3.520 million or 11.3 % under the 2008 Approved Operating Budget.

This is attributed to the following:

- Gross expenditures are projected to be \$4.611 million or 6.5% under the planned expenditures of \$70.410 million. This under expenditure is primarily due to savings in salaries (\$4.592 million) resulting from delays in filling vacant positions, delays in capital project start-up, not backfilling short term alternate rate assignments and the delays experienced in hiring staff for new initiatives (Municipal Land Transfer Tax (MLTT), Personal Vehicle Tax (PVT) and utility billing for Solid Waste services). Savings in non-salary expenditures of \$0.019 million are due to the decreased staffing levels.
- Revenues are projected to be under-achieved due to lower than anticipated inter-program recoveries of \$3.156 million as a result of the delays and deferrals of existing and new initiatives offset by higher user fee revenues of \$2.064 million due to higher volume of new user fees implemented during 2008 (Statement of Tax Accounts, Notices of Water Arrears, etc.).

The 2008 Operating Budget includes budgeted gapping of \$1.550 million which represents a rate of 2.7%. The Program 2008 projected gapping rate is expected to be under-achieved by 0.1%.

## Impact of 2008 Operating Variance on the 2009 Recommended Budget

While the gapping for 2008 is projected to be slightly under budget, based on year-to-date actual expenditures, some of the savings realized during that period will continue in 2009 as most vacant positions will be filled to ensure the sustainment of new initiatives such as MLTT and PVT administration. The 2009 Recommended Budget includes a reduction strategy to delay hiring

(\$0.192 million) that is equivalent to increasing the gapping rate from 2.7% in 2008 to 2.9% in 2009.

The 2009 budget for user fee revenues have been increased to reflect the volume increases experienced in 2008.

Table 3: 2009 Recommended Base Budget

(In \$000s)	2008 Appvd. Budget	2009 Recommended Base	Change 2009 Recommended Base v. 2008 Appvd. Budget		FY Incremental Outlook	
			\$	%	2010	2011
	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	70,410.2	72,013.8	1,603.6	2.3	1,446.9	1,702.7
<b>REVENUE</b>	39,334.2	42,215.6	2,881.4	7.3	200.7	314.7
<b>NET EXP.</b>	31,076.0	29,798.2	(1,277.8)	(4.1)	1,246.2	1,388.0
<b>Approved Positions</b>	780.0	779.0	(1.0)	(0.1)	0.0	0.0
<b>NET TARGET</b>		<b>30,454.5</b>				
<b>\$ Over / (Under) Program Target</b>		<b>(656.3)</b>				
<b>% Over / (Under) Program Target</b>		<b>(2.2%)</b>				

## 2009 Recommended Base Budget

The 2009 Recommended Base Operating Budget for the Office of the Treasurer is \$29.798 million net and \$1.278 million or 4.1% lower than the 2008 Approved Operating Budget of \$31.076 million and \$0.656 million or 2.2% lower than the 2009 target of \$30.455 million (2% less than the 2008 funding levels). The 2009 Recommended Base Budget will largely serve to maintain service levels offered in 2008.

- The recommended gross expenditure increase of \$1.604 million includes the annualization of 2008 Cost-of-living adjustments (COLA) and Harmonization Wage increases that are non-discretionary costs that account for \$0.789 million as well as merit and step increases of \$1.005 million. The costs are partially offset by the reversal of funding for one leap day in 2008 of \$0.207 million.
- Revenues are \$2.881 million greater than in the 2008 Approved Operating Budget as a result adjustments to recover costs and an increase in the volume of transactions based on actual experience.

The 2009 Recommended Base Budget results in 779 approved positions which include a net reduction of 1 from the approved staff complement as a result of capital projects completion combined with the deletion of vacant positions.

## 2009 Key Cost Drivers and Reduction Strategies

- The following is a summary of the key cost drivers and reduction strategies in 2009:
  - The annualization of 2008 COLA and wage harmonization adjustments has increased the 2009 Operating Budget by \$0.789 million. In addition, year-over-year salary reductions and

position changes to reflect savings from net reductions and staff turnover of \$0.123 million are included.

- Merit and step increases are partially offset by the reduction in salary costs for the 2008 leap year provision with associated fringe benefits and gapping adjustments increasing costs by \$0.442 million.
- Increase in contract costs and other non-labour inflationary increases totaling \$0.656 million.
- To alleviate some of the expenditure impact, the 2009 Recommended Base Budget also includes the following incremental revenues:
  - Inter-program recoveries mainly for the annualized impact of the costs for the ongoing administration of the Utility Billing System and Personal Tax Vehicle Administration totaling \$1.473 million.
- The 2009 Recommended Base Budget includes the following Service Level Adjustments, which generate aggregate savings of \$1.817 million net:
  - Efficiency measures to reduce discretionary expenditures for a savings of \$0.048 million.
  - Delay in filling vacant positions and elimination of 2 vacant positions as well as reduction in overtime will achieve additional savings of \$0.349 million.
  - User fee increase of \$1.022 million as a result of the increase in volume of transactions.
  - Introduction of a new user fee of \$16 for every utility bill to offset the administrative costs when the City issues a duplicate Utility bill to owner designated-agents. With an estimated volume of 18,000 bills to be duplicated and issued, the revenue is projected to be \$0.288 million.
  - Increase in discounts of \$0.110 million received from taking advantage of paying vendor invoices early. This increase is not sustainable beyond 2009 since almost 50% of the discounts earned are from a vendor whose contract expires in early 2010.

### **2010 and 2011 Outlook: Net Incremental Impact**

The following pressures resulting from the 2009 Recommended Operating Budget for the Office of the Treasurer will have a net incremental impact on the 2010 Operating Budget:

- Projected increase of \$0.944 million net for merit and step costs as well as operating impact of capital.
- The impact of the 2009 delay in hiring in 2010 of \$0.192 million and reversal of vendor discounts not sustainable in 2010 of \$0.110 million.

The 2011 Outlook includes a projected increase of \$1.388 million net for merit and step costs as well as operating impacts of capital.

The 2010 and 2011 Outlooks do not include any provision for COLA which is subject to future negotiations.





**Table 4**  
**2009 New / Enhanced Service Priority Actions: Summary**  
**(In \$000s)**

Description	2009 Recommended		Rec. New Positions	Net Incremental Impact	
	Gross Exp.	Net Exp.		2010	2011
	\$	\$	#	\$	\$
<b>Enhanced Services:</b>					
<b>(a) Enhanced Services - Council Approved</b>					
<b>(b) Enhanced Services - Program Initiated</b>					
PMMD staff for Transportation Services	147.3	0.0	2.0		
PMMD staff for Technical Services	60.0	0.0	1.0		
PMMD staff for Toronto Water	60.0	0.0	1.0		
Water Rebate Program & Water Billing	150.0	0.0	2.0		
Staff Pool of Customer Service Representatives	295.0	103.3	11.0		
<b>Sub-Total Enhanced Services</b>	<b>712.3</b>	<b>103.3</b>	<b>17.0</b>	<b>0.0</b>	<b>0.0</b>
<b>New Services:</b>					
<b>(a) New Services - Council Approved</b>					
<b>(b) New Services - Program Initiated</b>					
Taxation Programs Administration	200.9	0.0	2.0		
<b>Sub-Total New Services</b>	<b>200.9</b>	<b>0.0</b>	<b>2.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total New/Enhanced Services</b>	<b>913.2</b>	<b>103.3</b>	<b>19.0</b>	<b>0.0</b>	<b>0.0</b>

**2009 Recommended New / Enhanced Service Priority Actions****Enhanced Service Priority Actions – Program Initiated:*****Dedicated Purchasing and Materials Management Division Staff for Transportation***

To meet operational expectations, Transportation Services has identified a requirement for 2 dedicated full time Purchasing and Materials Management Division (PMMD) staff to support its program objectives and commitments. A Senior Corporate Buyer and a Support Assistant C position will be purchasing staff dedicated to Transportation Services to enable PMMD to process competitive call documents (RFQ, RFP and Tenders) more efficiently as well as support the client division's service objectives. Currently, there are no dedicated resources to satisfy Transportation's purchasing needs and without the dedicated arrangement, PMMD will be unable to provide the requested level of service. Funding of \$0.147 million gross and \$0 net is recommended for 2009 which is fully recoverable from Transportation Services' Operating Budget.

***Dedicated Purchasing and Materials Management Division Staff for Technical Services***

To meet operational expectations, Technical Services has identified a requirement for a permanent purchasing support position to meet operational requirements in the issuance of competitive call documents. In 2008, a temporary Support Assistant C position was funded by Technical Services to support the existing dedicated corporate buyer. Due to the increased service demand, Technical Services requested that this position be converted to a full time permanent position commencing January 1, 2009. Funding of \$0.060 million gross and \$0 net is recommended in 2009 and is recoverable from Technical Services' Operating Budget.

***Dedicated Purchasing and Materials Management Division Staff for Toronto Water***

Toronto Water has identified a significant increase in competitive Call Documents that has resulted in an increased workload for the existing PMMD staff (2 Sr. Corporate Buyers, 1 Engineer, Standards and Specifications) dedicated to support their purchasing and inspection needs. A Support Assistant C position is required to help with the workload and meet the service demands of Toronto Water. Funding of \$0.060 million gross and \$0 net is recommended in 2009 and is recoverable from Toronto Water's Operating Budget.

***Water Rebate Program and Water Billings***

To address an increase in demand for monitoring/analysis/reporting of sewer rebates, block rate structure changes and reductions for high-volume consumers funding for one permanent Revenue Analyst position is recommended in the Water Billing Section of Revenue Services. Additionally, the introduction of a new Council approved rebate of water billings for low-income seniors/low-income disabled persons, and a related increase in the volume of rebate application approvals and processing requires one Revenue Clerk 4 position. Therefore, two permanent full-time Revenue Analysts positions are required to meet the increased volumes, analyze and report on water consumption usage water efficiency data. Funding of \$0.150 million gross and \$0 million net is recommended in 2009 which is recoverable from Toronto Water's operating Budget.

***Staff pool of Customer Service Representatives***

It is necessary to establish of a pool of 11 temporary trained customer service representatives to provide part-time staff coverage on an as needed basis for Revenue Services' counters (including parking ticket counters) and Call Centres. To meet the fluctuating demands, minimize wait times and to maintain customer service to the public, these trained temporary part-time staff will work 4-5 hours per day to cover busy periods, as needed, for up to 175 days per year. Funding of \$0.295 million gross for these part-time staff is recommended at a net cost \$0.103 million and \$0.192 million to be recovered from Toronto Water, Solid Waste Management and Parking Tag Operations.

**New Service Priority Actions – Program Initiated:*****Taxation Programs Administration***

New Council-approved taxation and revenue generating initiatives within the City of Toronto – (e.g. Municipal Land Transfer Tax, Personal Vehicle Tax, Solid Waste Collection fees), the implementation of a new fixed area network technology for the automated water meter readings and with the addition of 24 new permanent staff positions in 2008, has necessitated a realignment of the structure within Revenue Services in order to effectively manage existing and new program areas. A new administrative and operating structure to manage, administer and report on new revenue streams requires 2 permanent positions commencing January 1, 2009 with recommended funding of \$0.201 million gross and \$0 million net recovered from the new revenue streams accounted for in the City's Non-Program Revenue Budget.

## **2009 Budget Issues**

### **2009 Recommended Operating Budget vs. Guideline**

The 2009 Recommended Operating Budget for the Office of the Treasurer is 1.8% under the target after recommended service reduction options of \$1.817 million, resulting in a net budget at 3.8% below the 2008 Approved Budget.

To offset significant increases in costs over the 2008 Operating Budget and to achieve the 2009 budget target, the following Service Level Reductions are recommended:

- A review of the actual volume of transactions for which user fees are charged resulted in an increase of \$1.022 million.
- A new user fee of \$16 for every utility bill is recommended to offset the administrative costs when the City issues a duplicate Utility bill to owner designated-agents. With an estimated volume of 18,000 bills to be duplicated and issued, the revenue is projected to be \$0.288 million.
- Increase in discounts received from taking advantage of paying vendor invoices early results in a one-time increase of \$0.110 million. This increase is not sustainable beyond 2009 since almost 50% of the discounts earned are from a vendor whose contract expires in early 2010.
- Efficiency measures to reduce discretionary expenditures results in savings of \$0.048 million.
- Delay in filling vacant positions and elimination of 2 vacant positions as well as a reduction in overtime will achieve additional savings of \$0.349 million.

## Appendix A

## 2009 Recommended Base Budget Changes vs. 2008 Approved Budget

(In \$000s)	Summary of 2009 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2010	2011
		\$	\$	\$	\$	\$
<b>2008 Council Approved Operating Budget</b>	<b>782.0</b>	<b>70,529.2</b>	<b>39,334.2</b>	<b>31,195.0</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments	(2.0)	(124.8)		(124.8)		
Corporate adjustments		5.8		5.8		
<b>2008 Approved Operating Budget</b>	<b>780.0</b>	<b>70,410.2</b>	<b>39,334.2</b>	<b>31,076.0</b>	<b>0.0</b>	<b>0.0</b>
Prior year impacts		973.3	(281.3)	1,254.6	774.4	790.0
Zero base items						
Economic factors		306.5		306.5		
<b>Adjusted Base Budget</b>	<b>780.0</b>	<b>71,690.0</b>	<b>39,052.9</b>	<b>32,637.1</b>	<b>774.4</b>	<b>790.0</b>
Other base changes	1.0	714.9	338.8	376.1	170.0	598.0
Base revenue changes			1,404.1	(1,404.1)		
Recommended Service Level Adjustments:						
Base changes						
Service efficiencies	(2.0)	(169.3)		(169.3)		
Revenue adjustments			1,419.8	(1,419.8)	110.0	
Minor service impact		(30.0)		(30.0)		
Major service impact		(191.8)		(191.8)	191.8	
<b>Total Recommended Base Adjustments</b>	<b>(1.0)</b>	<b>323.8</b>	<b>3,162.7</b>	<b>(2,838.9)</b>	<b>471.8</b>	<b>598.0</b>
<b>2009 Recommended Base Budget</b>	<b>779.0</b>	<b>72,013.8</b>	<b>42,215.6</b>	<b>29,798.2</b>	<b>1,246.2</b>	<b>1,388.0</b>
<b>2009 Program Operating Target</b>				<b>30,454.5</b>		
% Over (Under) Program Target				-2.2%		
% Over (Under) 2008 Appvd. Budget				(4.1%)		

**Appendix B**

**Summary of Service Level Adjustments**

**Appendix C**

**Summary of 2009 Recommended New/Enhanced  
Service Priority Actions**

**Appendix D**  
**Program Summary by Expenditure Category**

CLUSTER: INTERNAL SERVICES PROGRAM: OFFICE OF THE TREASURER							
	2008 Approved Budget	2008 Projected Actuals	2009 Recommended Budget	Change from 2008 Approved Budget		2010 Outlook	2011 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	56,827.3	52,235.6	59,159.2	2,331.9	4.1%	60,436.1	61,540.8
Materials and Supplies	2,024.4	1,677.2	1,935.6	(88.8)	(4.4%)	1,935.6	1,935.6
Equipment	1,154.4	161.1	1,195.2	40.8	3.5%	1,195.2	1,195.2
Services & Rents	7,052.3	6,938.9	6,940.9	(111.4)	(1.6%)	7,110.9	7,708.9
Contributions to Capital	500.0	500.0	500.0	0.0	0.0%	500.0	500.0
Contributions to Reserve/Res Funds	209.6	209.6	240.8	31.2	14.9%	240.8	240.8
Other Expenditures	1,171.6	2,654.9	1,204.6	33.0	2.8%	1,204.6	1,204.6
Interdivisional Charges	1,470.6	1,421.8	1,750.7	280.1	19.0%	1,750.7	1,750.7
<b>TOTAL GROSS EXPENDITURES</b>	<b>70,410.2</b>	<b>65,799.1</b>	<b>72,927.0</b>	<b>2,516.8</b>	<b>3.6%</b>	<b>74,373.9</b>	<b>76,076.6</b>
Interdivisional Recoveries	28,911.3	25,755.5	31,477.7	2,566.4	8.9%	31,788.4	32,103.1
Provincial Subsidies							
Federal Subsidies							
Other Subsidies							
User Fees & Donations	5,449.6	7,178.9	6,759.4	1,309.8	24.0%	6,759.4	6,759.4
Transfers from Capital Fund	1,225.7	1,225.7	1,140.8	(84.9)	(6.9%)	1,140.8	1,140.8
Contribution from Reserve Funds	816.1	816.1	606.1	(210.0)	(25.7%)	606.1	606.1
Contribution from Reserve							
Sundry Revenues	2,931.5	3,266.6	3,041.5	110.0	3.8%	2,931.5	2,931.5
<b>TOTAL REVENUE</b>	<b>39,334.2</b>	<b>38,242.8</b>	<b>43,025.5</b>	<b>3,691.3</b>	<b>9.4%</b>	<b>43,226.2</b>	<b>43,540.9</b>
<b>TOTAL NET EXPENDITURES (EXCLUDING CAPITAL FINANCING)</b>	<b>31,076.0</b>	<b>27,556.3</b>	<b>29,901.5</b>	<b>(1,174.5)</b>	<b>-5.8%</b>	<b>31,147.7</b>	<b>32,535.7</b>
<b>APPROVED POSITIONS</b>	<b>780.0</b>	<b>780.0</b>	<b>798.0</b>	<b>18.0</b>	<b>2.3%</b>	<b>0.0</b>	<b>0.0</b>



**Appendix E**

**Inflows / Outflows to / from Reserves & Reserve Funds**

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Balance as of December 2008	Proposed Withdrawals (-) / Contributions (+)		
			2009	2010	2011
		\$	\$	\$	\$
Insurance Reserve Fund	XR1010	27,774.8	111.7	111.7	111.7
Vehicle Reserve	XQ1600	382.7	129.1	129.1	129.1
Emergency Reserve	XQ1406	(2,968.6)	(606.1)	(606.1)	(606.1)
<b>Total Reserve / Reserve Fund Draws / Contributions</b>		<b>25,188.9</b>	<b>(365.3)</b>	<b>(365.3)</b>	<b>(365.3)</b>