



STAFF REPORT ACTION REQUIRED

2009 Budget Committee Recommended Operating Budget

Date:	March 2, 2009
To:	Executive Committee
From:	City Manager Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2009\Internal Services\FP\Bc09008Fp – AFS#9222

SUMMARY

The purpose of this report is to present the 2009 Budget Committee (BC) Recommended Operating Budget for City Programs, Agencies, Boards and Commissions, and to obtain Council's approval of the services, service levels and spending plans detailed therein. The recommended budget includes a residential property tax increase of 4% which on the total property tax base represents 2.47% increase.

The 2009 Recommended Operating Gross Expenditure Budget of \$8.701 billion is 40% funded by property tax revenues (the net budget) which total \$3.438 billion. This budget protects services and initiatives that will help Toronto residents and businesses during the prevailing economic uncertainty. It includes investments in new and enhanced services to advance the Mayor and Council's priorities. The main drivers of the 2009 increase include investment in public transit to further implement the Rapid Growth Strategy; the increased Ontario Works (OW) caseload of 13,000 to address the recession; and, investments in Toronto Police Service to improve public safety and increased snow clearing costs to maintain current service levels.

For only the second time since amalgamation, the 2009 Operating Budget was balanced upon introduction to the public on February 10, 2009. This was achieved through continuous improvement savings, expenditure constraints and minimal property and user fee increases. For the most part, user fee increases were restricted to between zero and 3.75% with a focus on protecting vulnerable residents; transit fares were frozen; and the combined property tax increase for all ratepayers was kept to the City of Toronto rate of inflation. In accordance with the Mayor's guidelines and directions, the 2009

Recommended Operating Budget continues the strategic process of balancing short-term needs against long-term objectives.

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RECOMMENDATIONS

The Budget Committee recommends that Executive Committee recommends to Council that:

1. City Council approve the 2009 Budget Committee Recommended Tax Supported Operating Budget of \$8.701 billion gross and \$3.438 billion net as detailed in Appendix 1, comprised of the following:
 - i.* a Base Budget of \$8.605 billion gross and \$3.414 billion net to maintain current services and service levels; and,
 - ii.* investment in strategic new and enhanced service priorities of \$95.513 million gross and \$23.483 million net.
2. City Council approve the 2009 Budget Committee Recommended Operating Budget for the Toronto Parking Authority totalling \$65.661 million gross and \$54.546 million net.
3. City Council approve the introduction of new user fees and charges, and changes to

the price of existing user fees and charges included in the 2009 Budget Committee Recommended Operating Budgets of City Programs, Agencies, Boards and Commissions which will generate incremental revenues totalling \$6.578 million.

4. City Council approve the transfer of \$92 million from Closed Capital Accounts to the Capital Financing Reserve and the use of \$92 million from this reserve to fund the 2009 Operating Budget.
5. City Council approve the use of \$74.178 million from the 2008 Operating Surplus to fund the 2009 Operating Budget.
6. City Council approve 2009 sinking fund levies of \$207,228,053.33 for the City of Toronto and \$2,293,802.99 for the Toronto District School Board.
7. City Council approve the Recommendations for City Programs, Agencies, Boards and Commissions as detailed in Appendix 3 attached.
8. City Council receive the reports, transmittals and communications that are on file with the City Clerk's Office (including Appendix 4 herewith attached) as considered by the Budget Committee at its 2009 budget review meetings.

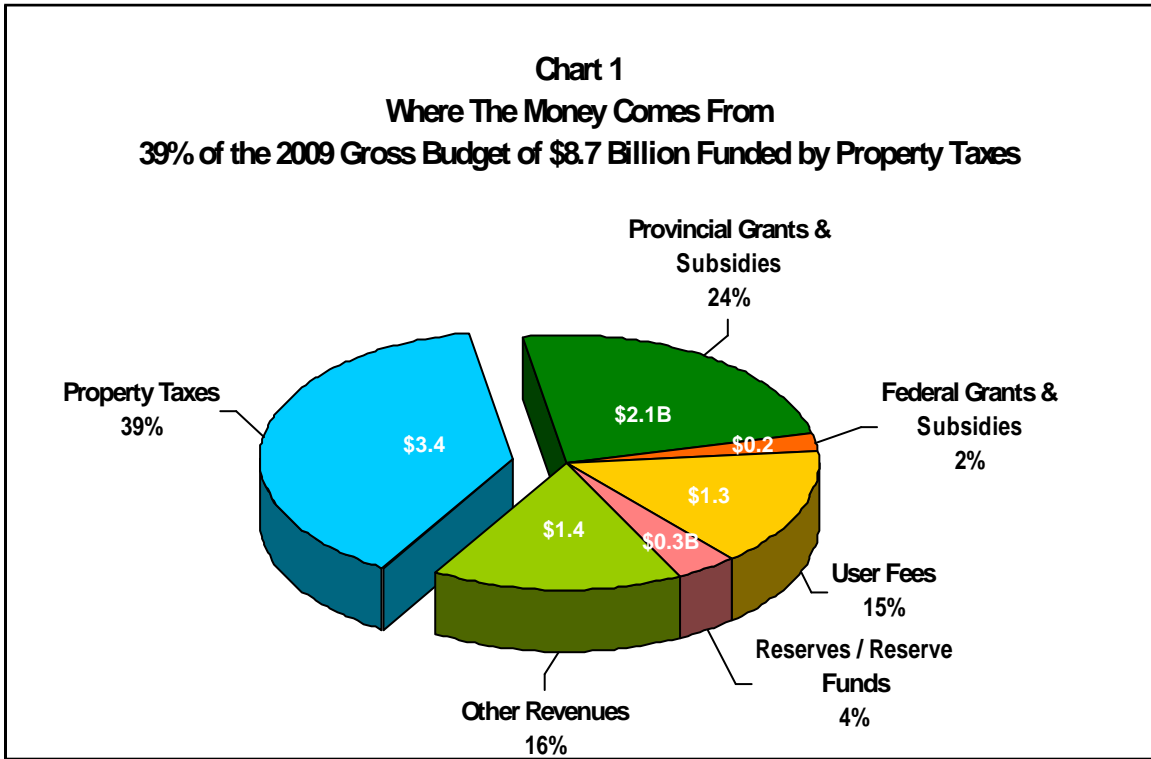
Financial Impact

2009 Operating Budget Summary

The Mayor directed staff to develop a balanced operating budget that maintains existing services and service levels; keeps residential property tax and user fee increases to the City of Toronto rate of inflation of between 2 – 4%; freezes transit fares; aligns services and makes strategic investments in key initiatives that advance the Mayor and Council and priorities. To minimize cost increases, the Mayor further directed staff to find opportunities to fund new and enhanced service priority actions from within existing budgets; to review / redesign how services were delivered and to maximize efficiencies and savings through continuation of the continuous improvement program.

During the development of the operating budget, it became apparent that Canada would fall into a recession with the rest of the world. Staff reviewed the City's financial vulnerabilities against previous recessions and made appropriate adjustments to the budget.

As shown in Chart 1 below, the 2009 Budget Committee Recommended Operating Budget is funded primarily by property taxes of \$3.438 billion, user fees and charges of \$1.279 billion and Provincial and Federal Grants and Subsidies of \$2.272 billion. In total, property tax revenues are planned to increase by \$123 million in 2009. Assessment growth represents \$40.5 million of the increase with the remaining \$83 million attributed to a 2.47% tax increase on the total property tax base.



How the 2009 Operating Budget was Balanced

Table 1 summarizes the strategies used to balance the 2009 Operating Budget. Internal strategies to mitigate the budget pressure realized through continuous improvement and efficiency measures resulted in savings of \$102 million of which \$73 million is attributed to *gapping*. (Gapping refers to payroll cost savings resulting from planned and unplanned turnover of staff.) User fee revenue increase of \$6.6 million resulting from the introduction of new fees and an average inflationary adjustment of 3.7% on existing user fees, along with property tax revenue increase of \$123 million.

A Provincial one-time investment of \$238 million was received to fund transit debt service costs in 2009. The utilization of accumulated surplus funds from closed capital projects totalling \$92 million and the use of 2008 Projected Operating surplus funds of \$74 million provided the remaining revenue sources to balance the 2009 Operating Budget. While these are key and necessary strategies to balance the 2009 Operating Budget, they will constitute a substantive beginning pressure in 2010, as most are one-time sources.

Table 1
Budget Balancing Strategies
\$Millions

Total Pressure	679
Pressure Mitigation Strategies:	
Prior Year Surplus	(74)
Program Reserve Draws	(43)
User Fee Increase	(7)
Continuous Improvement / Savings	(102)
Surplus from Closed Capital Accounts	(92)
Total Cost Containment and Prior Year Surplus	(318)
Adjusted Pressures	361
Provincial Investment:	
Transit Debt Charges	(238)
Net Pressure after Provincial Investment	123
City Property Tax Revenue Increase:	
Assessment Growth	(40)
Budgetary Property Tax Increase	(83)
Total Property Tax Revenue Increase	(123)
Net Pressure	0

Where the 2009 Net Operating Budget Will be Spent

Chart 2 below shows where the property tax of \$2,334 paid by the average house with an assessed value of \$387,129 will be spent. By far, the largest expenditure will be on police services. As the chart indicates, 70% of the property tax paid by residential taxpayers living in an average house will fund key programs such as Police and Fire protection; Transit, Employment and Social Services; Shelter, Support and Housing; and Parks, Forestry and Recreation.

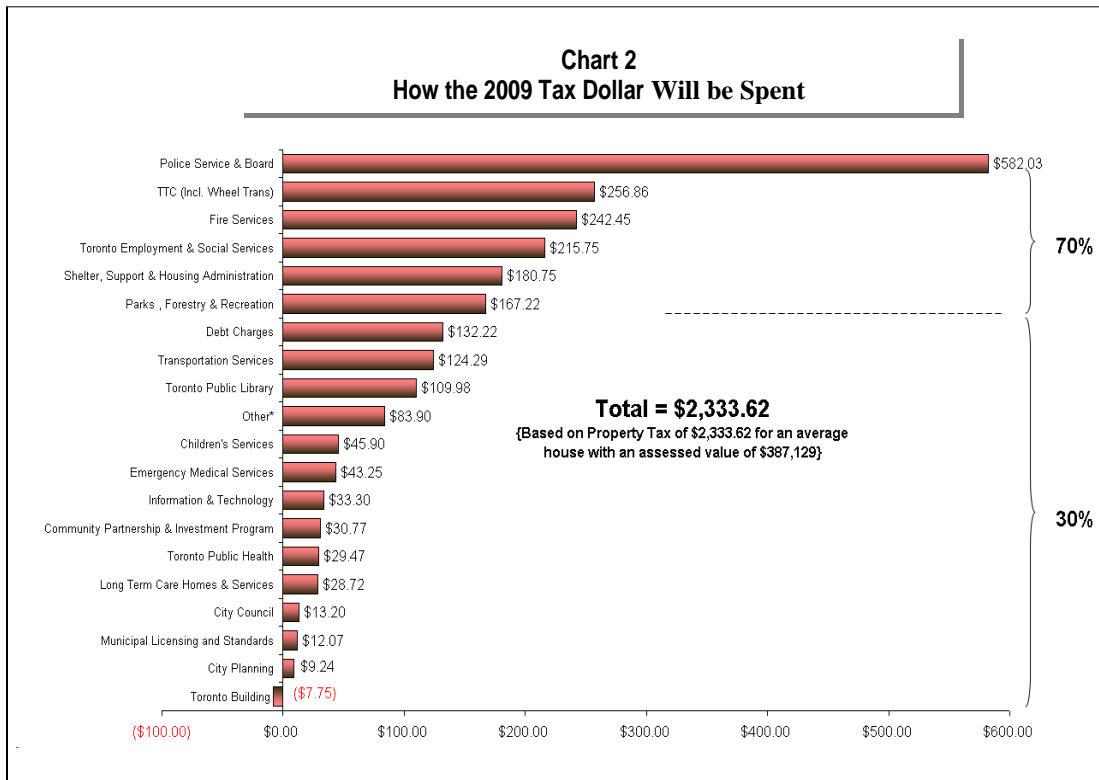
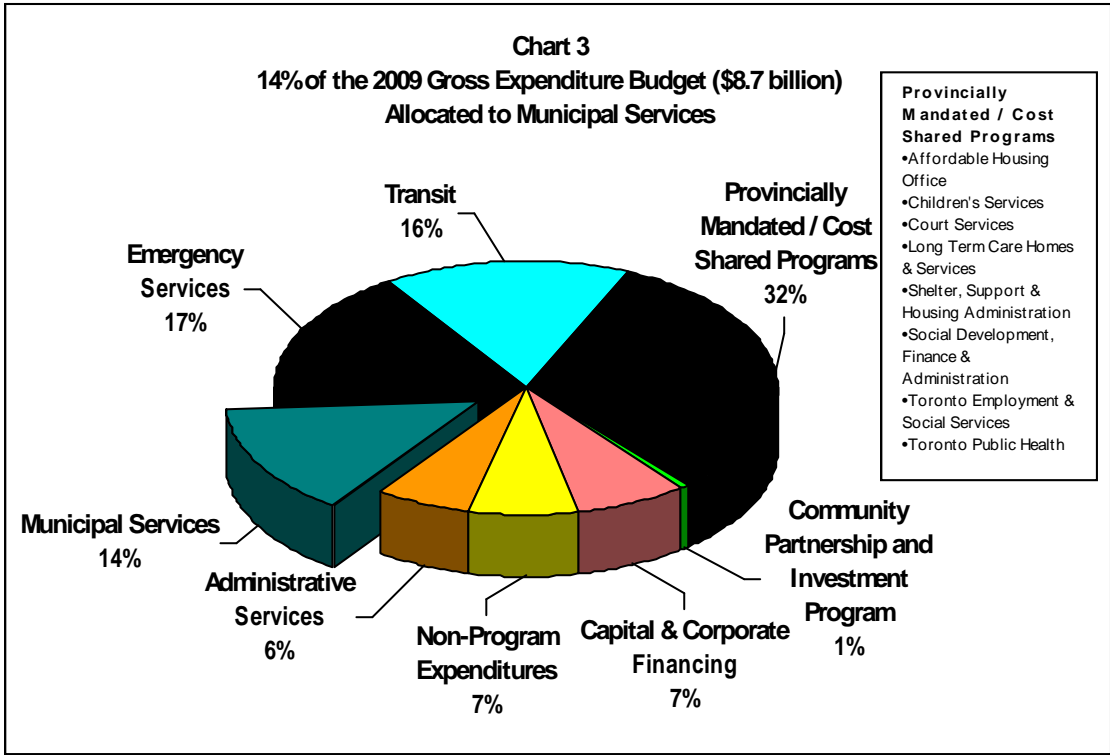


Chart 3 shows that a significant amount of the 2009 Recommended Operating Expenditure Budget of \$8.701 billion will be spent on Provincially Mandated Services. These services represent approximately one-third of the gross expenditures budget. Only 14% is allocated to Municipal Services, as illustrated in the chart.

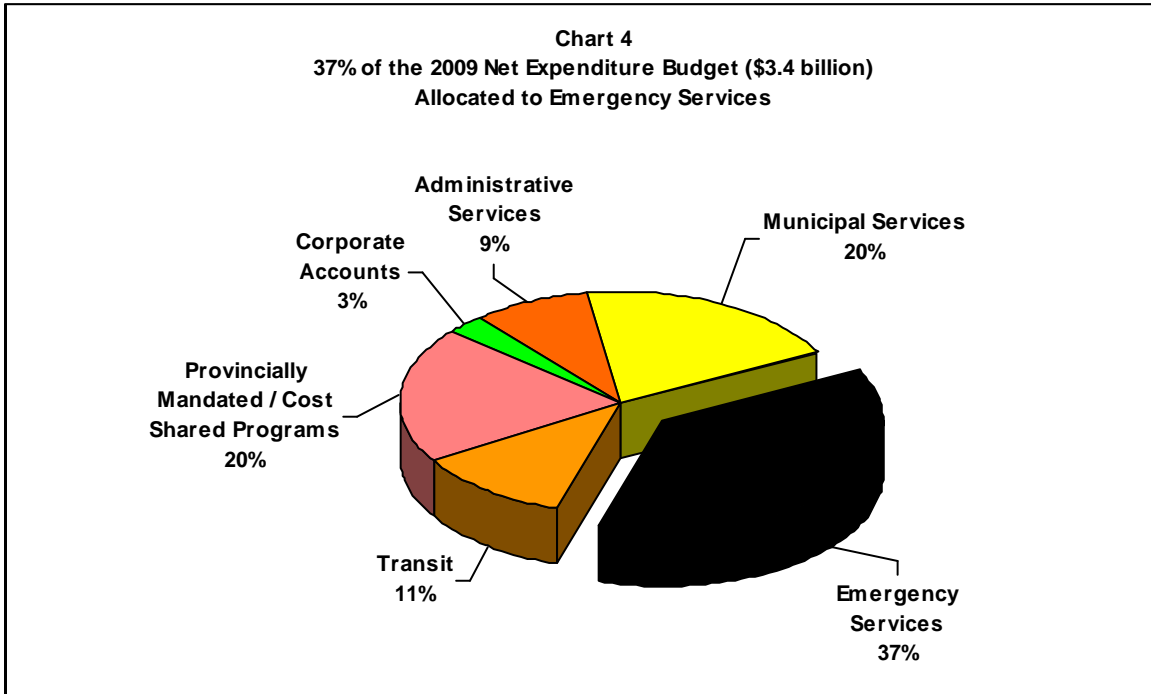
Transit and Emergency Services together account for another 33% of the City's total expenditure budget with the remainder allocated to Administrative Services and Corporate Accounts. It should be noted that Capital Financing of \$628.2 million makes up the majority of Corporate Accounts.



2009 Budget Committee Recommended Net Operating Budget

The Net Operating Budget (or Property Tax Levy) is \$3.437 billion, an increase of \$123.180 million or 3.7% over 2008. As a proportion of the gross operating budget, the net budget has declined consistently from a high of 46% in 1999 to 39.5% in 2009. The change in 2009 is mainly attributed to an increase in one-time Transit funding from the Province in the amount of \$238 million to offset debt service costs.

Chart 4 illustrates where the 2009 Budget Committee Recommended Net Expenditure Budget will be spent. As indicated in the chart, only 20% of the net budget is allocated to Municipal Services, compared to 37% spending on Emergency Services and 20% to fund other provincially mandated programs. In effect, approximately two-thirds of the 2009 property tax levy will be spent on Emergency Services, Provincially Mandated Programs and Transit.



COMMENTS

The City's Financial Planning Process

The City of Toronto's Financial Planning Process is based on sound financial planning principles and best budgeting practices. The process was designed to provide a longer-term view, and to emphasize the need for upfront priority-setting, service reviews and public consultation to guide the formulation of the City's operating plans and budgets. It focuses on linking resource allocation decisions to results and outcomes. Service planning is the stage of the City's financial planning process where service strategies, directions, objectives and priorities are established and / or confirmed based on past performance and service challenges. Furthermore, it is at this stage that service levels are defined, reviewed or validated in the context of the Mayor's priorities and Council policy direction, public demands and resource availability. In summary, Service Planning is a process through which corporate goals and strategies are operationalized, and City and community objectives are aligned with service delivery plans.

Budget Process

The Operating Budget process was designed to ensure that the City's resources are utilized in a manner that produces results in a responsible and measurable way. From September to December 2008, the City Manager, Chief Financial Officer and Financial

Planning Division and then Budget Committee members carefully reviewed and evaluated all budget submissions. These reviews were guided by the Mayor/Council priorities; prescribed budget directions, guidelines and financial policies; as well as the obligation to provide the services and services levels efficiently and effectively.

Key elements of the 2009 Budget process include the following:

- On behalf of the Executive Committee, the Mayor provided upfront directions to staff to bring forward a balanced operating budget that fulfills Council's strategic policy agenda by aligning resources to priorities that are based on sound financial management principles, and meet budgetary targets. The priorities for the development of the 2009 operating budget were:
 - The Economy
 - Public Transit
 - Public Spaces
 - Climate Change
 - Community Health and Wellness
 - Creative City
 - Public Access and Accountability
- Prior to Staff finalizing the recommended budget, the Budget Committee members (in groups of two) undertook detailed reviews of individual City Program and ABC budgets to ensure that Executive Committee's directions were met;
- The Budget Committee, on behalf of the Executive Committee, held formal meetings / hearings to receive public presentations and input from Councillors on matters and issues of interest and, where warranted, made changes to the staff recommended budget;
- The Budget Committee is recommending a balanced budget to the Executive Committee. This budget demonstrates strategic alignment of resources to Council priorities, highlight expected results and outcomes, and incorporates strategies adopted to resolve the funding shortfall;
- The Executive Committee's review of the budget will focus on major fiscal and policy issues and will confirm the budget as a strategic financial plan that will implement Council policies and priorities; and,
- On behalf of the Executive Committee, the Mayor will present the 2009 Operating Budget to Council for its review and approval.

Chart 5 below summarizes the 2009 Operating Budget Process Timelines.

Chart 5 City of Toronto Budget Process Timelines								
Budget Development - Preparation	June to Sept.							
Administrative Review - CM/CFO/DCM Review & Prepare Budget Documents		Sept. to Dec.						
Budget Committee - Introduce Operating Budget			Feb. 10					
Budget Committee - Hearing: Councillors & Public				Feb. 17 & 18				
Budget Committee - Operating Budget Review					Feb. 19 & 26			
Budget Committee - Operating Budget Final Wrap-up						March 3		
Executive Committee - Operating Budget Review							March 24	
City Council - Consideration & Adoption of Operating Budget								March 30 & Apr. 1

2009 Budget Directions and Guidelines:

The major goal of the 2009 budget process was to maintain existing services within prescribed budgetary targets and to ensure that focused investments in priority initiatives advance the Mayor's priorities and Council policy directives. The Mayor directed staff to develop a fiscally prudent and responsible budget that ensures approved services are delivered in a cost effective manner, and that service levels are protected. The Mayor provided the following specific directions and guidelines for consideration in developing the 2009 Operating Budget:

- Balance the operating budget;
- Keep residential property tax and user fee inflationary increases to within 2% - 4%;
- Freeze TTC fares;
- Protect residents and businesses against the effects of the recession;
- A target of 0% net increase over the 2008 Operating Budget for 2009 and an additional 2% reduction to contribute to cost of living increases for programs and ABCs in the process of negotiating labour agreements. For 2010, reach a target of 1% increase over the 2009 Operating Budget;
- Continue to pursue opportunities for efficiencies and continuous improvement;

- Fund priority actions that are aligned to the Mayor's mandate and Council policy objectives from within existing budgets, wherever possible;
- Minimize the use of property tax and/or City own-source revenues to fund Provincial cost-shared programs; and

To complement the Mayor's direction, the City Manager and Deputy City Manager & Chief Financial Officer issued the following administrative guidelines:

- At a minimum, maintain the gapping rate incorporated in the 2008 Council Approved Operating Budget;
- Budget for fringe benefits based on the 2008 actual experience, but not to exceed 24.53% of salaries and wages for permanent staff and 11% for recreation and casual staff;
- Where feasible, introduce new user fees to recover the full cost of services that confer direct benefit to an individual, identifiable groups of business/individual; and,
- Increase existing user fees by the City of Toronto rate of inflation.

The majority of City Programs and ABCs have complied with the prescribed budget directions and guidelines and several have achieved the established targets.

Inflation/Economic Factors

The economic factors used in establishing the 2009 Budget Committee Recommended Operating Base Budget are listed in Table 2. It is noted that contracts with fixed prices over their term are not adjusted for inflation. Where contracts specify 2009 prices, such expenditures are adjusted in the operating budget to reflect the contracted price for 2009. Also notable, is that diesel and gasoline price forecasts were reduced from \$1.45 and \$1.35 per litre respectively, to \$1.01 per litre for both, the same price as in 2008, resulting in a downward revision of estimates totalling \$2.758 million across the City due to the recent fall in commodity prices.

Table 2 2009 Operating Budget Inflation / Economic Factors	
Commodity	2009 Economic Factor
Printing & Paper Products	5%
Food	3.2%
Gas	\$1.01 per litre (no change)
Diesel	\$1.01 per litre (no change)
Natural Gas	2%
Hydro - General	3%
Hydro - Signal Lights	4.5%
Water	9%
Steam Heating	4%
Postage	3.90%
Telephone	2%
Bldg/Trade Mat./Tools & Equipment	6%
Salt	10%
Medical Supplies	4%
Contracted Services	Per contract
General	2%

To achieve the 2009 Operating Budget target of -2%, most City Programs and ABCs absorbed inflationary increases which significantly reduced or entirely removed funding for the economic factor impacts, thereby flat lining the 2009 budgets to 2008 price levels. The Financial Planning Division will continue to monitor all economic factors throughout 2009 and will recommend appropriate adjustments, if warranted.

Budget Overview

2009 Budget Committee Recommended (Gross) Operating Budget

The 2009 Budget Committee Recommended Operating Budget of \$8.701 billion represents an increase of \$557.2431 million. Salaries and benefits of \$4.130 billion constitute the largest expenditure, approximating 48% of the gross expenditure budget and reflecting an increase of \$227.000 million or 5.8% over 2008. The major funding sources are property tax revenues, user fees, and provincial and federal grants and subsidies with property tax revenues of the budget's funding.

Table 3					
2009 Budget Committee Recommended Operating Budget					
By Category (\$000's)					
Description of Category	2008 Approved Budget	2009 Recommended Budget		Change from 2008 Approved Budget	
	\$	\$	%	\$	%
Gross Expenditures:					
Salaries and Benefits	3,903.7	4,130.0	47.5%	226.3	5.8%
Materials and Supplies	455.7	497.1	5.7%	41.4	9.1%
Equipment	40.3	42.0	0.5%	1.7	4.2%
Services & Rents	1,059.6	1,361.3	15.6%	301.7	28.5%
Contributions and Transfers	2,411.6	2,381.5	27.4%	(30.1)	(1.2%)
Other Expenditures (includes IDCs)	272.3	288.6	3.3%	16.3	6.0%
Total Gross Expenditures	8,143.2	8,700.5	100.0%	557.3	6.8%
Funded by:					
Grants and Subsidies	2,007.3	2,271.1	26.1%	263.8	13.1%
User Fees, Permits & Donations	1,224.3	1,279.1	14.7%	54.8	4.5%
Reserves/Reserve Funds	300.9	349.8	4.0%	48.9	16.3%
Other Revenues (includes IDRs)	1,296.1	1,362.7	15.7%	66.6	5.1%
Total Non-Tax Revenues	4,828.6	5,262.7	60.5%	434.1	9.0%
Assessment Growth		40.5	n/a	40.5	n/a
Net Budget - excluding Assessment Growth	3,314.6	3,397.3	39.0%	82.7	2.5%

2009 Budget Committee Recommended Net Operating Budget

The 2009 Recommended Net Operating Budget (or property tax levy) is \$3.437 billion, an increase of \$123.180 million or 3.7% over 2008. As shown in Table 4, the change in 2009 is mainly attributed to Shelter, Support and Housing Administration; Toronto Employment & Social Services; Fire Services; Transportation Services; Toronto Transit Commission and Toronto Police Service Commissions. Principal reasons for the increases are as follows:

City Operations:

The 2009 net Operating Budget Expenditures for City Operations is recommended to increase by \$87.788 million or 4.8% over the prior year to \$1.911 billion. The major contributors are as follows:

- *Parks, Forestry and Recreation* - \$7.948 million or 3.3% net increase is primarily due to the annualization of completed waterfront development and other development-related project operating costs in the amount of \$2.818 million; cost of new operating impacts arising from the capital program in the amount of \$2.630 million; other operational related costs including credit card and internet connection fees and funding for new Family Day statutory holiday for eligible employees totalling \$1.031 million; and labour related costs totalling \$0.891 million comprised of \$0.125 million for mandated overtime for golf courses, Toronto Island and ferry operations, and \$0.766 million for wage harmonization.
- *Shelter, Support & Housing Administration* – \$12.452 million or 4.9% net increase resulting from a \$5.806 million Social Housing increase, annualization of the Streets to Homes program in the amount of \$4.095 million, \$1.631 million increase in salary and benefits primarily due to a job harmonization and reclassifications, and an inflationary increases of \$1.361 million primarily for third party hostel provider services.
- *Toronto Employment & Social Services* - \$42.075 million or 15.3% increase in net expenditures is primarily driven by the downturn in the economy resulting in a 16% increase in average monthly Ontario Works (OW) caseloads from 77,000 to 90,000 cases, combined with a 2% rate increase totalling \$32.873 million, anticipated increase in the Special Diet Needs program caseload due to higher utilization by OW clients in the amount of \$3.0 million, and the implementation of a new Integrated Employment Services program to assist resident job search with a total cost of \$2.0 million.
- *Fire Services* - \$9.321 million or 2.5% net increase is primarily attributed to cost of living adjustment for Firefighters' Local 3888 in the amount of \$7.745 million and annualization of prior year Recognition Pay of \$1.166 million and merit and step increases.
- *Transportation Services* - \$15.551 million or 9.3% net increase is primarily attributed to higher winter maintenance, driven by 2008 contract awards, in the amount of \$18.458 million and escalating salt prices resulting from increased delivery charges. This increase is offset by a reduction in various non-winter maintenance contracted service costs by \$1.380 million, a \$1.100 million increase in Road and Sidewalk reserve fund contribution, and \$0.420 million increase in permit parking fees.

Agencies, Boards and Commissions (ABCs):

The 2009 Recommended Operating Budget Expenditures for ABCs represent an increase of \$144.054 million or 10.9%. The major drivers of this increase are as follows:

- TTC Conventional Services - \$79.165 million or 35.5% increase primarily attributable to the annualization of prior year new service and service levels and the opening of the Mount Dennis bus garage at \$42.113 million; \$27.433 million in funding for the 2009 COLA; \$10.402 million for the increased cost of diesel fuel; and 2009 service cost increase to meet the forecasted 9 million increase in riders of approximately \$8.000 million.
- Toronto Police Service – increase of \$33.080 million gross or 4.0% increase attributed to annualized increases in salaries and benefits in the amount of \$16.700 million due to a 3-year salary settlement awarded to the Police Association and Senior Officers Association in 2008, and \$10.388 million in Officer reclassifications, \$7.405 million in salary benefits due to inflation.

User Fees and Charges – Revenue Impact

In accordance with the City of Toronto Act, 2006 and other relevant legislation, the City and its Agencies, Boards and Commissions (ABCs) charge user fees to recover the cost of services, activities and the use of City property when it is established that a direct benefit or advantage is conferred upon specific persons, businesses or groups of persons and not the citizens of Toronto as a whole. Compliant with budget directions and guidelines from the Mayor, several user fees were increased by the City of Toronto rate of inflation; however, to ensure protection of the most vulnerable, many user fees were not increased at all, the most prominent of which was to freeze TTC fares.

Table 5 below summarizes incremental revenues from new, or changes to existing user fees by City Program and ABC. As indicated in the table, new user fees and changes to existing user fees proposed in the 2009 Recommended Operating Budget will generate revenues totalling \$6.578 million. Existing user fees will generate revenues of \$5.461 million while new user fees will generate \$1.117 million. A detailed list and analysis of existing user fee that were increased and new user fees introduced as part of the 2009 Operating Budget Process is available on the City's Website at: www.toronto.ca/budget2008/briefingnotes_operating.htm.

Table 5
2009 Recommended Operating Budget
New User and Recommended Price Change Summary
Incremental Revenue Impact

Program	2009 Revenue Increase (\$000s)		
	Existing User Fee Rate Change	New User Fee	Total
Emergency Medical Services	15.6		15.6
Parks, Forestry & Recreation	1,126.3	50.0	1,176.3
City Planning	715.8		715.8
Municipal Licensing & Standards	952.2		952.2
Toronto Building Services	1,782.2	779.0	2,561.2
Transportation Services	670.1		670.1
Office of the Treasurer - Revenue Services	0.0	288.0	288.0
City Clerk's Office	3.5		3.5
Theatres	(18.8)		(18.8)
Toronto Zoo	213.9		213.9
Total Revenue Increase	5,460.8	1,117.0	6,577.8

Toronto Helps

The 2009 Budget Committee Recommended Operating Budget protects City services and provides help to those who need it most in the prevailing economic downturn. It reflects the role the City government has to protect and provide relief to residents and businesses, which is especially important as the City works to meet the challenges of the downturn in the Canadian and world economies. The 2009 BC Recommended Operating Budget provides critical support to residents through tax help programs for eligible seniors and low income households and directs funding to programming for job seekers, youths and seniors.

Incorporated in the 2009 Budget Committee Recommended Operating Budget is funding support for initiatives to protect and provide relief for residents under the Toronto Helps Program including:

- Rental Assistance for low income households;
- Employment Assistance to help persons seeking employment;
- Long Term Care Homes Services including homemaking services for low income seniors and adults with disability and increased cafeteria services;

- and property tax cancellation and deferral for low income seniors and persons with disability.

Similarly, the budget funds relief for businesses under the Toronto Helps Program including:

- Reducing Business Property Tax ratios for businesses;
- Property Tax Rebates for vacant Commercial and Industrial Properties; and
- Providing financial incentives for new developments, targeted to specific economic sectors to enhance job creation in the City and growth in the assessment base.

A full listing of relief available under the Toronto Helps Program can be found on the City's website at: <http://www.toronto.ca/torontohelps/new2009services.htm>.

The City will closely monitor economic and service activity throughout 2009 and staff will report through the quarterly variance reporting process on status of any strategies if necessary.

Priority Investments

Despite current economic events and external factors that continue to create pressure on the City's operating budget, strategic investments that advance the Mayor's priorities and Council's policy agenda have been considered. The 2009 Operating Budget includes investments of \$96 million gross and \$23 million net in initiatives that create prosperity, liveability and opportunity for all. The following highlights (by major themes) new and enhanced service priorities and initiatives included in the 2009 Budget Committee Recommended Operating Budget:

Public Transit

- Make all parts of the City, including the priority neighbourhoods, more accessible by continuing service increases introduced in 2008 through the Ridership Growth Strategy
 - Annualized cost for serving 464 million riders (\$7.413 million gross)
 - Annualized cost to operate 100 extra buses (99,000 hours annually) – (\$7.700 million gross)
 - Full-year rollout of standardized bus hours (+297,000 hrs annually) all routes have same hours as subway, 6 a.m. to 1 a.m. weekdays (\$21.0 million gross)
 - 2009 Service to meet record demand of 473 million riders, including reliability improvements to the 501 Queen St. route (+136,000 hours in 2009); (Approx. \$8.000 million gross)

- Improve the flow of TTC vehicles and reduce short turns with 20 new route supervisors (\$1.735 million gross and net)
- Introduce next vehicle notification, automated customer notification, e-commerce and internet trip planning (\$0.448 million gross and net)
- Establish green procurement practices (\$0.875 million gross and net)

Climate Change

- Implement the Mayor's Tower Renewal Strategy (\$0.580 million gross and net)
- Continue "Live Green Toronto" (\$4.600 million gross, \$0.800 million net)
- Continue the Climate Change Adaptation strategy (\$0.505 million gross, \$0 net)
- Maintain and increase urban forest to increase tree canopy from 17% to 34% by 2050 with new funding in 2009 for:
 - Tree Maintenance (\$3.853 million gross and \$1.570 million net)
 - Tree Protection (\$0.686 million gross and \$0 net)
 - Planting New Trees (\$1.605 million gross and \$0 net)
- Open 70km of additional bike lanes; increase the number of bike stations and bicycle lockers (\$0.210 million gross and \$0 net)
- Promote an Idle Free Campaign for the City's Fleet (\$0.632 million gross savings in 2009)
- Operating impact of dedicated resource to lead the City's Green Fleet Plan to reduce carbon dioxide emissions by City's vehicles (\$0.077 million gross and net)
- Support the "Eco Roof Program" to install more green or reflective roofs to reduce heat effect and storm water run off (\$0.800 million gross, \$0 net)
- Perform air quality studies to evaluate the effectiveness of policies and actions to reduce greenhouse gases and smog-causing emissions at the neighbourhood level (\$0.120 million gross, \$0 net)
- Facilitate alternative transportation choices to reduce single occupancy vehicle travel (\$0.280 million gross, \$0.150 million net)

Public Spaces

- Provide overall operations at Union Station, including 24/7 security (\$13.182 million gross, \$0 net)

- Roll out 3,500 pieces of street furniture (\$5.505 million gross and \$0 net)
- Make progress on Toronto's waterfront - construction of Phase 1 of Lake Ontario Park, construction activities in the East Bayfront, West Don Lands and the Central Waterfront (\$1.597 million and \$1.012 million net).
- Open and maintain new and upgraded parks, playgrounds, and pathways (\$0.775 million gross and net) as follows: Wychwood Community Park, Ashbridges Skateboard Park, Flemmingdon Sports Field, Megan Park, Morning Side Splashpad, Campbell Avenue Playground.
- Improve winter maintenance operations by combining salter and plough units; use Global Positioning Systems, and implement a pilot project to clear roads and driveways simultaneously (\$18.458 million gross and net)
- Open the new Allstream Conference Centre (approximately 152,000 sq. ft. of meeting rooms and exhibit spaces) at Exhibition Place (\$0.378 million gross and \$0 net)
- Open and maintain new Waterfront parks, sports fields and public spaces (\$0.443 million gross and net)

Community Health & Wellness

- Enhance Streets to Homes program (\$4.600 million gross and \$4.100 million net)
- Sustain Community Partnership and Investment Program by funding inflationary pressures (\$0.849 million gross and net)
- Expand the Student Nutrition Program to serve an additional 5,644 elementary children and 3,147 youths from the 78,000 elementary children and 12,750 youths served in 2008 (\$0.400 million gross and net)
- Additional 12 new, 24 enhanced programs for at-risk groups including youth, seniors, women, and aboriginal youth in priority neighbourhoods (\$0.600 million gross and net)
- Improve access to employment opportunities, training and skills development through newly developed local employment service hubs (\$2.019 million gross, \$0 net)
- Implement additional nursing shifts in hospital emergency rooms to reduce wait times by EMS paramedics (\$1.945 million gross, \$0 net)
- Expand the Children in Need of Treatment Dental Program to 18 years of age (\$5.253 million gross, \$0 net)
- Implement the Youth Gang Prevention Pilot Project (\$1.5 million gross, \$0 net)

- Increase open hours at Toronto Public Libraries by 67.5 per week on weekdays once the implementation of Self-Service for Expanding Open Hours capital project is completed in 2009. (\$0 gross and net)
- Increase number of recreation programs at various community centres (\$1.071 million gross and net)
- Provide stockpiling requirements as part of the Pandemic Preparedness (\$6.263 million gross and \$2.705 million net)
- Additional nursing staff (41.6 positions) to support resident needs in Long Term Care Homes (\$3.340 million gross, \$0 net)
- Reduce subway delays due to medical emergencies by adding 2 paramedics stationed in subways (\$0.200 million gross, \$0 net)
- Address increase in demand for first aid, CPR and defibrillator training in schools, community centres and other high risk locations (\$0.127 million gross, \$0 net)
- Improve EMS response time by increasing Duty Officers (\$0.795 million gross, \$0 net)
- Assist people living on the streets to find homes by increasing resources at the 40 bed Shelter and Referral Centre at 129 Peter Street. (\$0.500 million gross and net)
- Extend hours of operations (7 a.m.-10 p.m.) for nine drop-in centres to assist Torontonians to find and keep housing, and provide support for tenants who are at risk of being evicted (\$0.901 million and \$0 net)
- Develop pollution and prevention program to ensure that facilities that use toxic substances implement reduction measures to limit the use and release of toxins (\$0.221 million gross, \$0.055 million net)
- Increase Fire Services fleet replacement provision to \$6.631 million per year (\$0.570 million gross and net)
- Operating impacts from capital projects of 5 renovated or expanded libraries - Kennedy/Eglinton Library, Bloor Gladstone Library, Thorncliffe Library, Jane/Sheppard Library, and St Lawrence Library - (\$0.548 million gross and net)

Creative City

- Celebrate the 175th anniversary of the City of Toronto (\$0.230 million gross and net)
- Commission a stand-alone monumental art project for City Hall to attract international tourists to Nuit Blanche (\$0.300 million gross and net)

- Foster the development of “Creative Toronto” (\$0.070 million gross and \$0.020 million net) by:
 - Partnering with the Martin Prosperity Institute on a major gathering of international thinkers to explore the connection between place, creativity and the economy
 - Partnering with Toronto Artscape to organize an international conference to explore the concept of the “Collaborative City”
 - Working with the Martin Prosperity Institute and music professionals to draw national and international attention to Toronto’s vibrant live music.
- Develop “Our City, Our Stories” in partnership with Canon Canada – a photography project that engages youth in priority neighborhoods to share their stories (\$0.065 million gross, \$0.006 million net)
- Celebrate the Commemoration of the War of 1812 (\$0.135 million gross and net)

Public Access & Accountability

- Open the 311 Customer Services 24-hour call centre in June 2009 (\$1.638 million gross and net)
- Expand court capacity by 6 additional courtrooms from 25 to 31 courtrooms, and increase the number of new trials by 180,000 (\$3.725 million gross, \$0.705 million net)
- Finalize the set up of the Lobbyist Registrar’s Office (\$0.217 million gross and net) and the Office of the Ombudsman (\$0.604 million gross and net)
- Establish the Office of Civic Engagement (\$0.114 million gross and net) to increase representation of diverse communities in the City’s decision-making process
- Implement the Toronto Public Service People Plan (\$0.123 million gross and net) to build a positive workplace culture; ensure a learning organization and attract and retain a skilled, high performance workforce
- Prepare for the 2010 municipal election (\$1.0 million gross and \$0 net).
- Circulate a new city-wide newsletter to all residents, ‘Our Toronto’, to keep Toronto informed about emerging issues affecting their City (\$0.850 million gross and \$0.400 million net).
- Establish standards to ensure that all City-owned facilities are operated and maintained to meet Program requirements while protecting our assets (\$0.186 million gross and \$0 net)

- Implement the Information and Technology Governance Model (\$2.127million gross and \$0.901 million net) to consolidate I&T resources in order to optimize support for the City's Programs
- Expand routine disclosure of building permit records and plans directly through Toronto Building, to provide information efficiently to the public (\$0.254 million gross and \$0 net)
- Issue an additional 5,000 new business licenses and strengthen pro-active Municipal Code enforcement (\$0.325 million gross with a net savings of \$0.545 million)
- Promote responsible pet ownership and increase the number of licensed pets by (\$0.606 million gross, and net savings of \$0.026 million)

2009 Recommended Approved Positions

The 2009 Budget Committee Recommended Tax Levy Operating Budget requires a total of 49,828.6 positions, of which 46,676.7 are to deliver the operating program and 2,151.9 to deliver the capital program.

As summarized in Table 6, an increase of 1,079.9 Operating positions at a cost of \$63.202 million is recommended in the 2009 Operating Budget. It is noted that 457.4 positions at a cost of \$30.179 million or 49% of the total cost of \$63.202 million will be funded by property taxes. The principal drivers of the property tax funded position increase are Toronto Employment and Social Services, Toronto Transit Commission and Toronto Police Service:

- Toronto Employment and Social Services requires 156 positions to fund the 13,000 welfare caseload increase to manage increased demand from the current recession. These temporary positions will cost \$10.433 million and should qualify for 50/50 cost sharing; however, they must be 100% funded from Property Taxes because the Province has capped its subsidy for administrative costs.
- Toronto Transit Commission requires an increase of 333 positions at a total cost of \$21.178 million. The equivalent of 95 positions at a cost of \$8.245 million will be funded from property tax revenue in order to enhance transit services and to improve protection of the public, however, the bulk of the funding will be realized from the fare box.
- Toronto Police Service requires an increase of 38 positions at a cost of \$1.790 million funded by property tax revenue for services that protect and improve public safety.

Programs/ABCs (\$000s)	Total		Resv. & Resv. Funds		Prov. / Fed. Subsidies		User Fees		Tax Levy		Other Revenues	
	Positions	\$	Positions	\$	Positions	\$	Positions	\$	Positions	\$	Positions	\$
Citizen Centred Services "A"	432.5	23,645.8	12.7	888.9	57.8	4,805.2	2.0	127.2	254.6	15,512.2	105.4	2,312.3
Citizen Centred Services "B"	57.2	4,344.9	4.0	229.4	3.0	275.0	25.7	1,782.1	7.5	724.8	17.0	1,333.6
Internal Services	107.5	7,414.7	1.0	60.0	0.0	0.0	0.0	0.0	40.5	2,596.4	66.0	4,758.3
City Manager	10.0	771.0	0.0	0.0	0.0	0.0	0.0	0.0	6.0	321.0	4.0	450.0
Other City Programs	27.2	2,069.5	11.0	1,181.8	0.0	0.0	0.0	0.0	1.0	162.7	15.2	725.0
Accountability Offices	7.0	592.1	0.0	0.0	0.0	0.0	0.0	0.0	7.0	592.1	0.0	0.0
Agencies, Boards & Commissions	438.5	24,364.0	0.0	0.0	66.6	2,021.2	233.1	11,719.1	140.8	10,269.3	(2.0)	354.4
Total	1,079.9	63,202.0	28.7	2,360.1	127.4	7,101.4	260.8	13,628.4	457.4	30,178.5	205.6	9,933.6

Table 7 below shows 46,677 positions, comprised of 42,519 permanent and 4,158 temporary positions, are required to deliver the 2009 operating program. Compared to 2008, this represents an increase of 1,079.9 positions or 2.4%. For a more detailed discussion on 2009 Recommended Positions see the briefing note on the City webpage at: www.toronto.ca/budget2009/pdf/bn_2009_staff_rec_approved_positions.pdf.

	City Operations			ABCs			Total		
	Permanent	Temporary	Total	Permanent	Temporary	Total	Permanent	Temporary	Total
2008 Approved Positions	18,522	3,317	21,839	23,050	708	23,758	41,571	4,025	45,597
2009 Recommended Change:									
Base Increase (decrease)	196	100	296	230	(20)	210	426	80	506
New / Enhanced increase (decrease)	314	32	346	208	21	229	522	52	574
Total 2009 Recommended Positions	19,031	3,449	22,480	23,488	709	24,197	42,519	4,158	46,677
Change from 2008:									
Positions	510	132	641	438	1	439	948	132	1,080
Percentage	3%	4%	3%	2%	0%	2%	2%	3%	2%

Sinking Fund Levies for 2009

When the City issues debentures, the *City of Toronto Act 2006* requires that the principal repayment must be amortized over the term-to-maturity of the debenture or an annual amount be contributed to a sinking fund. Sinking funds are required by provincial legislation and established to ensure that adequate financing is available at a debenture's maturity. Currently, the City has three separate sinking fund portfolios (4%, 5% and 6%) associated with its debenture issues.

Section 255(4) of the *City of Toronto Act 2006* states that:

"If in any year an amount is or will be required by law to be raised for a sinking fund or retirement fund of the City, the city treasurer shall prepare for city council, before the budget for the year is adopted, a statement of the amount."

Amounts required by by-law (as amended by the Ontario Municipal Board orders to reduce levies) to be raised in 2009 by Council for deposit in the City of Toronto Sinking Fund are provided for as follows:

City of Toronto	\$ 207,228,053.33
Toronto District School Board (TDSB)	2,293,802.99

This requirement is addressed in recommendation 6.

The sinking fund deposit for the City's requirements forms part of the City's 2009 operating budget and is included in Capital & Corporate Financing, "Debt Charges". While Council is required to levy the sinking fund deposit on behalf of the Toronto District School Board, it is not included in the City's operating budget as it is fully recovered from the TDSB.

Economic Outlook

The current recession and the uncertainty over the outcome of Local 79 and 416 bargaining make the outlook for 2010 hard to predict. Key to balancing the 2010 budget will be: securing provincial funding for 50% study of TTC operations; the continuation of the provincial upload of social services costs; the generation of sufficient surplus and continuous improvement savings; and, an economic recovery that sees revenues and Ontario Works caseload returning to normal levels.

Staff will monitor the impacts of the recession and report out as part of the variance reporting process.

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SIGNATURE

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Joseph P. Pennachetti
City Manager

ATTACHMENTS

Appendix 1 – 2009 Budget Committee Recommended Operating Budget – Summary by Program

Appendix 2 – 2009 Budget Committee Recommended Positions - Operating Positions Only

Appendix 3 – Program Recommendations

Appendix 4 – City Clerk’s Office Reports, Transmittals and Communications