TORONTO

STAFF REPORT
ACTION REQUIRED

Operating Variance Report for the Nine-Month Period Ended September 30, 2014

Date:	November 21, 2014
To:	Executive Committee
From:	Deputy City Manager & Chief Financial Officer
Wards:	All
Reference Number:	P:\2014\Internal Services\Fp\Ec14023Fp

SUMMARY

The purpose of this report is to provide Council with the City of Toronto Operating Variance for the nine-month period ended September 30, 2014 as well as year-end projections and to request Council's approval for amendments to the 2014 Approved Operating Budget between programs that have no net impact to ensure accurate reporting and financial accountability.

For the nine-month period ended September 30, 2014, Tax Supported Operations reported a net favourable variance of $112.775 million or 4.1%, as noted in Table 1 below.

Table 1
Tax Supported Variance Summary ($ Millions)

	Sept 2014 Over/(Under)		Projected Y/E 2014 Over/(Under)	
	$	%	$	%
Gross Expenditures	(209.6)	-3.0%	(245.9)	-2.5%
Revenues	(96.8)	-2.3%	(147.5)	-2.5%
Net Expenditures	(112.8)	-4.1%	(98.4)	-2.6%

The favourable year-to-date variance was driven largely by salary and benefit under-spending from vacant positions and a reduction in caseload for Ontario Works. Higher than budgeted revenue from permit applications for Toronto Building, Toronto Hydro Dividend Income, Parking Tag and Enforcement and Operations and the Municipal Land Transfer Tax

has also contributed to the favourable net variance. The under-spending was partially offset by over-expenditures for Tax Deficiencies and Transportation Services.

Projections indicate that the year-end position will result in a net favourable variance of $98.370 million or 2.6%. The projected decline in the net favourable variance compared to the year-to-date is largely driven by net expenditure/revenue changes for Court Services, Parks, Forestry and Recreation, Shelter, Support and Housing Administration, Parking Tag Enforcement and Operations, Supplementary Taxes and Non-Program Revenue Budget contribution from the Toronto Parking Authority's net income sharing to the City.

Table 2 below summarizes Rate Supported Program net variances:

Table 2
Rate Supported Variance Summary ($ Millions)

	Sept 2014 Over/(Under)	Projected Y/E 2014 Over/(Under)
Solid Waste Management Services	3.2	(5.3)
Toronto Parking Authority	1.8	4.7
Toronto Water	2.1	(3.2)
Total Variance	7.1	(3.8)

Rate Supported Programs collectively realized a year-to-date unfavourable net variance of $7.146 million or 7.4%. Solid Waste Management Services reported net over-spending of $3.237 million primarily from under-achieved revenues due to lower paid tonnes at Green Lane, lower tonnes of contractor residual waste and lower than planned Divisional, school and yellow bag fees. Toronto Water realized a net over-expenditure of $2.128 million owing largely to lower than budgeted revenues from the sale of water as a result of higher than normal rainfall, as well as colder temperatures during the summer months. In addition, the Toronto Parking Authority reported a net deficit of $1.781 million as a result of weaker than anticipated on-street parking revenues.

Rate Supported Programs collectively project year-end net favourable variance of $3.826 million. This change from the year-to-date actual is primarily driven by Solid Waste Management Services, which is forecasting a favourable year-end variance of $5.323 million. The year-end net under-spending is driven by savings in salaries and benefits due to vacancies, lower costs for contracted processing, increased Provincial funding for recycling and higher tipping fee revenue from transfer stations. Toronto Water is projecting a favourable variance of $3.218 million, mostly due to lower than planned salaries and benefits and partially offset by lower sales of water. The favourable variances noted above will be partially off-set by the Toronto Parking Authority's net deficit of $4.715 million from continued lower on-street revenues.

Table 3 below summarizes the vacancy rate for the nine months ended September 30, 2014 and projections to year-end.

Table 3 Summary of Approved Complement (Includes Capital and Operating Positions)						
	Year-to-Date			Year-End Projections		
Program/Agency	**Vacancy %**	**Budgeted Gapping**	**Vacancy After Gapping**	**Vacancy %**	**Budgeted Gapping**	**Vacancy After Gapping**
City Operations	5.7%	2.3%	3.4%	4.1%	2.3%	1.8%
Agencies	4.9%	2.1%	2.8%	2.3%	2.1%	0.2%
Corporate Accounts	4.8%	0.0%	4.8%	-1.5%	0.0%	0.0%
Total Levy Operations	**5.3%**	**2.2%**	**3.1%**	**3.1%**	**2.2%**	**0.9%**
Rate Supported Programs	8.5%	2.3%	6.2%	12.3%	2.3%	10.0%
Grand Total	**5.4%**	**2.2%**	**3.3%**	**3.6%**	**2.2%**	**1.5%**

As of September 30, 2014, the City recorded a vacancy rate of 3.3% after gapping for an approved complement of 53,193.2 positions. The forecasted year-end vacancy rate after gapping is projected to be 1.5% for an approved complement of 52,701.2 positions. A more detailed analysis is provided in the Approved Complement Section of this report.

RECOMMENDATIONS

The Deputy City Manager & Chief Financial Officer recommends that:

1. City Council approve the budget adjustments detailed in Appendix F to amend the 2014 Approved Operating Budget between Programs and Agencies that have no impact to the 2014 Approved Net Operating Budget.

Financial Impact

The table below outlines the City's nine-month and projected year-end favourable variances by major program area.

Table 4 Tax Supported Expenditure Variance ($ Millions)				
	Sept 2014 Over/(Under)		Projected Y/E 2014 Over/(Under)	
	Gross	Net	Gross	Net
Citizen Centred Services "A"	(146.1)	(17.8)	(161.5)	8.6
Citizen Centred Services "B"	8.8	(0.3)	(10.7)	(9.5)
Internal Services	(18.9)	(4.2)	(28.6)	(6.1)
City Manager	(6.0)	(4.5)	(4.6)	(2.4)
Other City Programs	(6.3)	(0.6)	(2.7)	(0.3)
Council Appointed Programs	(0.2)	(0.2)	(0.2)	(0.2)
Total - City Operations	(168.7)	(27.6)	(208.3)	(9.9)
Agencies	(46.7)	(15.0)	(50.5)	(17.4)
Corporate Accounts	5.8	(70.1)	12.9	(71.1)
Sub-Total	(40.9)	(85.1)	(37.7)	(88.5)
Total Variance	**(209.6)**	**(112.8)**	**(245.9)**	**(98.4)**

City Operations reported gross under-spending of $168.675 million or 4.8% with a favourable net variance of $27.641 million or 1.9% as of September 30, 2014. Current projections indicate that City Operations' 2014 year-end gross budget will be $208.254 million or 4.3% below planned; this will result in a $9.888 million or 0.5% favourable net variance.

Agencies reported gross under-spending of $46.674 million or 1.9% and $15.031 million or 1.2% of budgeted net expenditures for the nine months ended September 30, 2014. Agencies collectively project gross under-expenditures of $50.547 million or 1.5%. This will result in a $17.395 million or 1.0% favourable net variance at year-end.

Corporate Accounts were over-spent by $5.763 million or 0.6% gross but a favourable net variance of $70.104 million for the nine months ended September 30, 2014, primarily due to higher Municipal Land Transfer Tax revenues. Corporate Accounts collectively are forecast to have year-end gross over-expenditures of $12.886 million or 0.9% but a favourable net variance of $71.088 million, again based on higher Municipal Land Transfer Tax projections.

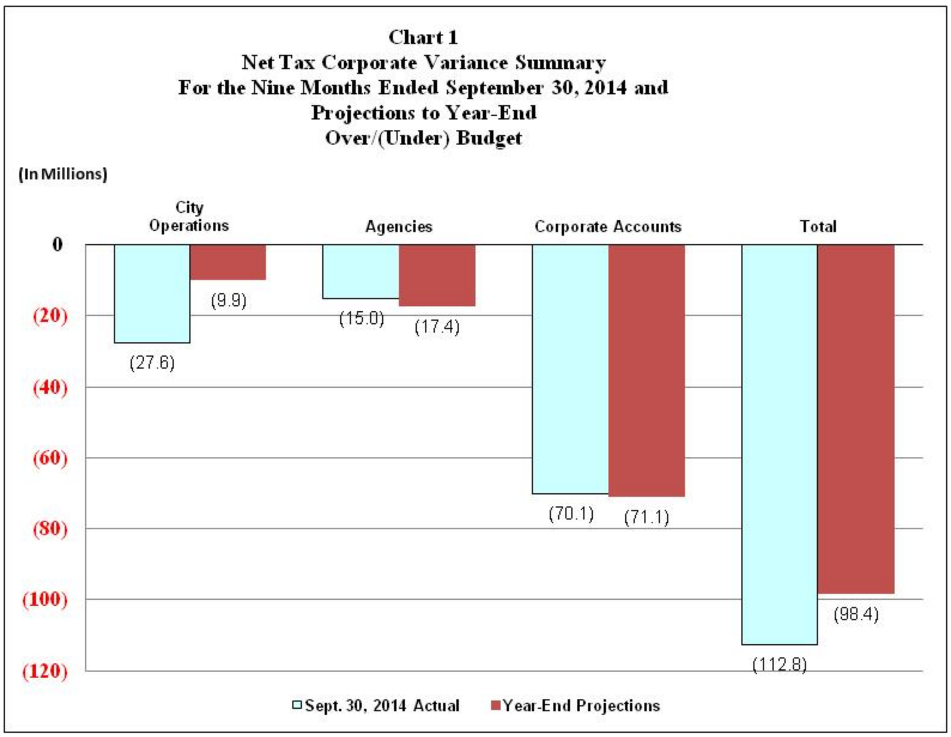
The 2014 preliminary year-end operating position for Tax Supported Operations includes $6.121 million to comply with approved Council direction/legislative requirements. The remaining year-end favourable balances will be allocated based on the City's Surplus Management Policy as part of the Operating Variance Report for the Year Ended December 31, 2014.

Appendices A, B and C attached summarize net expenditures, gross expenditures and revenues, respectively. Appendices D and E provide a detailed assessment of the complement and strength for the nine months ended September 30, 2014 and year-end projections. Appendix F details the in-year budget adjustments to the 2014 Approved Operating Budget which require Council approval. Appendix G provides detailed variance explanations for each City Program and Agency for the nine months ended September 30, 2014 as well as projections to year-end.

ISSUE BACKGROUND

This report is provided pursuant to financial management best practices and budgetary control. As part of the City of Toronto's accountability framework, quarterly and year-end operating variance reports are submitted to Committees and Council, to provide information on how the approved operating funds are being spent, and on an exceptions basis, to identify issues that require direction and/or decisions from Council. In addition, Council's approval is requested for budget adjustments that amend the 2014 Approved Operating Budget between Programs and Agencies in accordance with the Financial Control By-Law and the City's financial management principles.

COMMENTS



Tax Supported Programs

City Operations realized net under-spending of $27.641 million or 1.9% of planned expenditures for the nine-month period ended September 30, 2014. Major contributors to the net under-spending include:

- With respect to Parks, Forestry and Recreation (PF&R), ice storm costs are being captured in the Non-Program Expenditure Budget and are not allocated by Division so the expectations reported for the first nine months do not reflect total costs. Once ice storm clean-up is completed, PF&R will engage additional resources to assist in catching up the deferred work and spending is expected to be close to budget at year-end. This assumes that all ice storm costs are fully recovered from the Province.

- Toronto Employment and Social Services' net under-spending of $11.066 million or 8.1 % was primarily attributed to lower caseload (93,056 actual versus 101,000 budgeted), Special Diet, Housing Stabilization Fund and Employment Benefit expenditures.

- Shelter, Support and Housing Administration's net under-spending of $7.789 million or 5.5% was largely the result of under-expenditures in salaries and benefits and savings in contracted services.

- Toronto Building's net under-spending of $4.944 million or 57.5% was primarily the result of higher than budgeted revenues of $5.047 million or 12.2% due to the sustained high volume of permit application intake.

- City Manager's Office net under-spending of $4.485 million or 12.8% was due largely to under-expenditures arising from vacant positions.

- Toronto Fire Services' net under-expenditure of $2.598 million or 0.9% consisted mainly of under-spending in salaries and fringe benefits, lower WSIB claim payments and various non-payroll accounts combined with unbudgeted Provincial funding received for the Heavy Urban Search and Rescue equipment costs incurred in 2013.

- City Planning's net favourable variance of $2.565 million or 26.3% was primarily from over-achieved revenues of $2.966 million or 16.2%, mainly due to higher than budgeted development application revenue and greater application volumes in Community Planning and Committee of Adjustments.

- Municipal Licensing and Standards' net under-spending of $2.173 million or 16.7% was due largely to under-expenditures arising from vacant positions.

The year-to-date under-spending outlined above was partially offset by the following:

- Court Services reported a unfavourable net variance of $17.531 million or 112.6%. The net variance consisted primarily of unfavourable revenues of $21.138 million based on lower volumes of tickets issued and filed by enforcement agencies in Toronto, partially offset by savings of $3.607 million mainly in salaries and benefits and other non-salary line accounts.

- Transportation Services' net unfavourable variance of $10.935 million or 6.5% was mainly from higher than expected costs for winter maintenance as a result of the harsh winter conditions earlier in the year. However, the Program anticipates being on budget at year-end conditional on weather conditions.
- Engineering and Construction Services' net unfavourable variance of $1.287 million or 17.0% was primarily due to a reduction in capital recoveries for vacant positions, delayed recoveries of engineering review fees related to the Metrolinx Rapid Transit Implementation

and the delayed implementation of the fees collected for the management of contracts for the Toronto Transit Commission. However, the Program anticipates being on budget at year-end as a result of full collection of recoveries that were delayed as of September 30, 2014.

City Operations forecasts net under-spending of $9.888 million or 0.5% at year-end due largely to the following:

- Toronto Employment and Social Services is forecasting net under-expenditures of $14.057 million or 8.2% based on continued lower than planned caseloads, which is projected to be 8,500 or 8.4% below the budgeted caseload of 101,000, lower Special Diet, Housing Stabilization Fund and Employment Benefit expenditures.

- Toronto Building is projecting net a favourable variance of $4.750 million or 43.4% primarily based on stronger revenues arising from an anticipated high level of permit application intake.

- Internal Services is projections a modest favourable year-end variance of $6.1 million or 3.3% large due to under-spending in Facilities Management and Real Estate Services, Information and Technology and the Office of the Treasurer.

The forecasted 2014 Approved Net Operating Budget under-expenditures outlined above are projected to be partially offset by Court Services. The Program is forecasting a net revenue loss of $24.593 million attributable mainly to lower than planned fine revenues of $29.647 million arising from a lower volume of charges filed by the Toronto Police Service and other enforcement agencies, partially offset by cost savings of $5.054 million in salaries and benefits and lower contracted services resulting from the lower volume of tickets processed.

Agencies reported a favourable variance of $15.031 million or 1.2% of planned expenditures for the nine months ended September 30, 2014. The favourable variance was driven by:

- Toronto Transit Commission (Combined Services) – ($11.919 million).
- Toronto Police Service – ($3.675 million).
- All Others – $0.564 million.

Agencies are collectively forecasting under-expenditures of $17.395 million or 1.0% of the 2014 Approved Net Operating Budget by year-end. The Toronto Transit Commission Combined Services is projecting a favourable variance of $12.506 million or 2.3% for its combined services by year-end from lower than expected non-labour expenses, diesel prices, hydro consumption and accident claims offset by a shortfall in passenger revenues. Severe cold temperatures experienced in January, February and March and the impact of planned system closures particularly for the Automatic Train Control Resignalling work on Line 1 (Yonge-University-Spadina) and the Union Station project account for the ridership shortfall of about 5 million rides. Additionally, higher than anticipated monthly pass sales continue to cause a slight decline in the average fare.

Also contributing to the projected year-end favourable position for Agencies is the Toronto Police Service of $4.900 million or 0.5%. The forecasted under-spending is driven largely by lower than planned expenditures for salaries and benefits due to higher than expected separations and lower than planned benefit costs. Materials and supplies and services are expected to be significantly below planned**,** while revenues are expected to be higher than planned.

Corporate Accounts experienced net under-spending of $70.104 million for the nine months ended September 30, 2014. Projections to year-end indicate that Corporate Accounts will be $71.088 million below the 2014 Approved Net Operating Budget.

The ***Capital and Corporate Financing Account*** was over budget for the period ended September 30, 2014 by $1.998 million or 0.4%. At this time, it is forecasted that the Capital and Corporate Financing Account will be over-spent by $3.003 million or 0.5% at year-end. The over-spending is due mainly to acceleration of debt issuance to take advantage of favourable capital market conditions and lower interest rates.

Non-Program Expenditures were over-spent by $0.455 million or 0.1% net for the nine-month period ended September 30, 2014. This was driven by over-expenditures of $5.0 million or 15.3% for Tax Deficiencies/Write-Offs primarily due to Tax Increment Equivalent Grants exceeding the budget for eligible properties. In addition, the Vacancy Rebate Program was over-spent by $1.875 million or 11.4% due to adjustments made for pending vacancy rebates set aside for prior years.

The year-to-date over-spending noted above was partially offset by under-spending in Parking Tag Enforcement and Operations of $5.141 million or 11.2% as a result of rent savings realized from Parking Enforcement Headquarters relocation combined with under-expenditures for salaries and benefits. Lower than anticipated fees from the Municipal Property Assessment Corporation (MPAC) resulted in a favourable variance of $0.768 million or 2.5%. In addition, Other Corporate Expenditures experienced under-spending of $0.727 million or 2.9% from various items, including emergency human resources, corporate studies, etc.

The above factors are expected to continue to year-end.

The Non-Program Expenditure Budget includes ice storm costs, which are currently anticipated to be fully recoverable from the Province. As noted under the Ice Storm Section of this report, the Province released detailed guidelines for submission of claims in its Ice Storm Assistance Program in mid-September and is expected to provide training on the cost submission requirements in early November, with the deadline for submission of claims set at December 31, 2014.

Non-Program Revenues experienced a favourable net variance of $72.557 million or 9.7% for the period ended September 30, 2014. The year-to-date increase in net revenue was primarily due to the following:

- Municipal Land Transfer Tax net revenue of $56.670 million or 21.6% higher mainly driven by the number of transactions with unusually high sale prices during January and February and stronger than anticipated sales in July.

- Parking Tag Enforcement and Operations net revenue of $10.854 million or 17.2% higher attributed to the Habitual Offender Program and increased fines for rush hour offences.

- Toronto Hydro Dividend Income of $5.600 million or 11.5% higher based on better than budgeted 2013 operating results for Toronto Hydro. Toronto Hydro received a favourable ruling at the Ontario Energy Board which resulted in a one-time increase for 2013.

- Supplementary Taxes revenue of $3.0 million or 16.4% higher due to the City receiving supplementary rolls earlier than projected. Growth is anticipated to level off by year-end, resulting in an unfavourable variance of $8.0 million or 20.0%.

The year-to-date favourable variance for Non-Program Revenues was partially offset by lower than budgeted net revenue from Interest and Investment Earnings of $1.382 million or 1.5% largely due to delayed capital gains which will now be realized in the fourth quarter of this year. For year-end, Interest and Investment Earnings are forecasted to be on budget. Lower on-street parking revenue from increased road work City wide combined with the large number of snow days experienced from January to March resulted in the Toronto Parking Authority net revenue contribution being $1.336 million or 3.8% below that planned. In addition, Other Corporate Revenues were below the net revenue budget by $1.938 million or 37.4% primarily from lower sundry revenues (i.e. tax repayments, HST rebates, unclaimed cheques, etc.).

By year-end, Non-Program Revenues are projected to be above budget by $74.083 million or 7.4% largely due to higher than anticipated net revenue from the Municipal Land Transfer Tax of $75.199 million or 21.5% and Toronto Hydro Dividend Income of $5.600 million or 10.2%. In addition, Parking Tag Enforcement and Operations' revenue is forecasted to be $5.0 million or 5.9% above budget, largely due to the Habitual Offender Program and increased fines for rush hour offences.

The projected increase in Non-Program Revenue for the year-end will be partially offset by under-achieved net revenue for Supplementary Taxes of $8.0 million or 20.0%. The supplementary/omitted assessments will generate an estimated $32.0 million compared to budgeted revenues of $40.0 million. The Toronto Parking Authority's net revenue contribution is expected to decline by $3.536 million or 7.3% due to the factors noted above.

Rate Supported Programs collectively realized a year-to-date unfavourable net variance of $7.146 million or 7.4%.

Solid Waste Management Services experienced net over-spending of $3.237 million primarily from under-achieved revenues due to lower sales of recyclable material from weaker commodity prices, waste disposal receipts for Green Lane, residual disposals from contracted processing, lower fees from Divisions, Agencies, school boards and yellow bag and lower hazardous waste recoveries.
Toronto Water reported a net over-expenditure of $2.128 million largely due to lower than budgeted revenues. The Program experienced a decrease in the volume of water sales which was

partially off-set by increased recoveries from the sale of water to York Region and new sewer connections.

The Toronto Parking Authority reported a net deficit of $1.781 million as a result of weaker than anticipated on-street parking revenues impacted by City road construction activity.

Rate Supported Programs forecast combined year-end net under-spending of $3.826 million. The significant change from the year-to-date unfavourable variance to the forecasted year-end favourable variance results from:

- Toronto Water, which is projecting net under-expenditures of $3.218 million due largely to continued under-spending from September 30, 2014 in salaries and benefits arising from vacant positions and increased revenues from the year-to-date actual due to the higher number of water and wastewater treatment agreements, additional recoveries for new service connections and increased volume of turn-off/shut-off services and manual meter reading fees; and,

- Solid Waste Management Services, which is also projecting a favourable year-end net variance of $5.323 million, anticipates increased revenues beyond September 30, 2014 primarily from stronger than anticipated Blue Box Program revenue and transfer station tipping fees.

For year-end, the Toronto Parking Authority is projecting a net unfavourable variance of $4.715 million. The unfavourable net variance projection is primarily due to continued lower revenues from on-street parking as a result of increased road work City wide, in addition to the impact of the large number of snow days experienced during January, February and March.

Approved Complement

Table 5 provides the approved complement and strength as at September 30, 2014 and projections to year-end. As of September 30, 2014, the City reported a strength of 50,295.0 positions representing a vacancy rate, after approved gapping, of 3.3%. By year-end, the City is projecting a strength of 50,779.1 positions. The projected year-end vacancy rate after approved gapping is expected to be 1.5%.

Appendices D and E provide a detailed assessment of the approved complement and strength for the nine months ended September 30, 2014 and projections to year-end.

Table 5 Summary of Approved Complement (Includes Capital and Operating Positions)										
Program/Agency	Year-To-Date					Year-End Projections				
	Complement	Strength	Vacancies	Vacancy %	Vacancy After Gapping	Complement	Strength	Vacancies	Vacancy %	Vacancy After Gapping
Citizen Centred Services "A"	12,433.4	12,004.2	(429.2)	3.5%	1.8%	12,436.4	12,037.2	(399.2)	3.2%	1.6%
Citizen Centred Services "B"	6,242.2	5,835.8	(406.4)	6.5%	3.6%	6,242.2	6,013.8	(228.4)	3.7%	0.7%
Internal Services	2,863.2	2,473.0	(390.2)	13.6%	9.9%	2,867.2	2,604.5	(262.7)	9.2%	5.4%
City Manager's Office	458.5	403.0	(55.5)	12.1%	8.1%	458.5	416.0	(42.5)	9.3%	5.3%
Other City Programs	931.9	904.9	(27.0)	2.9%	0.3%	922.9	910.9	(12.0)	1.3%	0.0%
Accountability Offices	50.8	49.5	(1.3)	2.5%	2.0%	50.8	48.0	(2.8)	5.4%	4.9%
Total City Operations	**22,980.0**	**21,670.5**	**(1,309.6)**	**5.7%**	**3.4%**	**22,978.0**	**22,030.5**	**(947.6)**	**4.1%**	**1.8%**
Agencies	26,671.4	25,368.9	(1,302.6)	4.9%	2.8%	26,181.4	25,588.5	(592.9)	2.3%	0.2%
Corporate Accounts	394.0	375.0	(19.0)	4.8%	4.8%	394.0	400.0	6.0	-1.5%	0.0%
Total Levy Operations	**50,045.4**	**47,414.3**	**(2,631.1)**	**5.3%**	**3.1%**	**49,553.4**	**48,018.9**	**(1,534.5)**	**3.1%**	**0.9%**
Rate Supported Programs	3,147.8	2,880.7	(267.1)	8.5%	6.2%	3,147.8	2,760.1	(387.7)	12.3%	10.0%
Grand Total	**53,193.2**	**50,295.0**	**(2,898.2)**	**5.4%**	**3.3%**	**52,701.2**	**50,779.1**	**(1,922.1)**	**3.6%**	**1.5%**

City Operations

As indicated in Table 5 above, City Operations collectively reported a strength of 21,670.5 positions, which was 1,309.6 positions below the complement of 22,980.0 positions for the nine months ended September 30, 2014. The vacancy rate, after approved gapping, was 3.4%. By year-end, City Operations are collectively projecting a strength of 22,030.5 positions, representing 947.6 positions under the approved complement of 22,978.0 positions. After approved gapping, the projected vacancy rate is expected to be 1.8%.

Agencies

As of September 30, 2014, the combined strength reported by Agencies was 25,368.9 positions which was 1,302.6 positions below the approved complement of 26,671.4 positions representing a vacancy rate, after approved gapping, of 2.8%. Agencies are collectively projecting a year-end strength of 25,588.5 positions, representing 592.9 positions below the complement of 26,181.4 positions, with a vacancy rate of 0.2% after approved gapping.

Rate Supported Programs

Rate Supported Programs reported a strength of 2,880.7 positions, representing 267.1 under the approved complement of 3,147.8 positions, as of September 30, 2014. The vacancy rate, after approved gapping, was 6.2%. By year-end, Rate Supported Programs are forecasting a strength of 2,760.1 positions before gapping. After approved gapping, the projected vacancy rate for the year-end is expected to be 10.0%. The difference between year-to-date and the year-end projections is largely due to Solid Waste Management Services layoff of seasonal workers as the Program transitions to the winter period.

The December 21 and 22, 2013 Ice Storm

The City's updated cost forecast of the December 2013 ice storm is $73.2 million ($70 million for Divisions and $3.2 million for Agencies and Corporations). A portion of the Divisional costs ($44.5 million) was expensed with a corresponding receivable from the Province set up in 2013. Divisional expenditures as at September 30, 2014 total $23.5 million, while $2 million in additional costs are forecasted to be incurred by October 31, 2014, (the Provincial final deadline for ice storm costs).

The City submitted an Expression of Interest to the Province in June 2014, and the Province has invited the City to submit qualifying costs for full reimbursement. The Province released detailed guidelines for submission of claims in its Ice Storm Assistance Program in the mid-September, and is expected to provide training on the cost submission requirements in early November, with the deadline for submission of claims set at December 31, 2014. As anticipated, costs must be: directly related to the ice storm, in response to a public health and safety issue, and incremental in nature.

The City has a team of staff reviewing all costs and compiling the claim, which requires providing support for each and every item, as the Province will adjudicate the City's claim. While the City anticipates that most of the submitted storm-related costs will be eligible for reimbursement under the Ice Storm Assistance Program, there remains a risk that costs will be excluded during the compilation of the claim, and that costs put forward could be denied through the Provincial review that is expected to be very thorough. The main area of concern for the City is the potential ineligibility of salary costs particularly for Urban Forestry staff reassigned from regular forestry responsibilities to ice storm related work. Although backfilling costs are eligible, usually the backfill is coincident with the response activities. While the City responded to hazards in the first part of the year, with backlogged work orders to be addressed by incremental resources in the second part of the year.

The financial risk to the City should these costs be deemed ineligible, is approximately $5.0 million.

Budget Adjustments

Council approval is required for adjustments to the 2014 Approved Operating Budget. These recommended budget adjustments have no impact to the 2014 Approved Net Operating Budget, as set out in Appendix F. The major adjustments are outlined below.

Toronto Transit Commission Collective Bargaining Agreement:

This report recommends Council authorize the transfer of $9.400 million gross and net from the 2014 Approved Non-Program Expenditure Budget to the 2014 Approved Operating Budgets for the Toronto Transit Commission Conventional Services ($9.0 million gross and net) and Wheel-Trans ($0.40 million gross and net) pursuant to the recently negotiated collective agreement. The collective agreement includes ATU Local 113; CUPE Local 2 (electrical, signal and radio communication employees); CUPE Local 508 (transit enforcement officers); and, IAMA W Lodge 235 (skilled and semi-skilled trades).

Reduction of Non-Program Expenditure Budget Funding to Toronto Public Health:

This report recommends Council authorize the reduction of $2.218 million in funding from the 2014 Approved Non-Program Expenditure Budget to Toronto Public Health's 2014 Approved Operating Budget. In 2001, an interdepartmental revenue (IDR) recovery was established to reflect the cost sharing of information and technology related new and enhanced services with the Province. This budget adjustment is required to reverse the IDR set up previously to reflect the increased Provincial funding made available from the Ministry of Health and Long-Term Care across cost shared programs.

Facilities Management and Real Estate Services Reinstatement of Custodian Positions and Creation of Skilled Trades Positions:

Facilities Management and Real Estate Services (FM&RE) is seeking Council approval to reinstate 46.8 permanent Custodian positions that were reduced during the 2012 budget process as part of the approved Alternative Service Delivery (ASD) proposal. The contracting approval process for Phase II of the ASD has been stalled due to stringent conditions required by Council to have stability and permanent custodial staff at day care centres. These positions are mainly providing custodial services to various daycare centres for Children's Services as well as St. Lawrence Centre for the Performing Arts and Toronto Water. The reinstatement of these positions will result in no financial impact as funding is available under contracted services within the 2014 Approved Operating Budget for FM&RE. A budget adjustment will be made to reallocate the funding from contracted services to salaries and benefits upon Council approval.

In addition, FM&RE is seeking Council approval to create 55.0 skilled trades positions on a permanent basis as part of the complement data clean up. The staff, who perform these trades, have been working for the City of Toronto for a long period of time under the City's payroll without budgeted complement. This clean up will make the complement and strength reporting more transparent and eliminate the requirement of preparing journal entries throughout the year to transfer the actual salary and benefit expenditures to contracted services where the budget resides. The creation of these positions will result in no financial impact. A budget adjustment will be made to reallocate the funding from contracted services to salaries and benefits upon Council approval.

Program Restructuring:

This report recommends Council authorize the transfer of 7.0 positions and related funding of $0.722 million gross and $0 net (resulting in zero net change to the City's budget) from Engineering and Construction Services to the following: 3.0 positions ($0.365 million gross and $0 net) to the Major Capital Infrastructure Co-ordination Unit in Policy, Planning, Finance and Administration and 4.0 positions ($0.0 gross and $0 net) to Toronto Water. The Program restructuring addresses organizational issues that will support the Engineering and Construction

Services' shift to a Program-based structure aligned with client requirements, to expand capital project delivery and improve customer service by realigning work teams and accountabilities.

Healthy Communities Fund Partnership:

In October of 2014, the Ministry of Health and Long Term Care (MOHLTC) approved funding of $0.567 million for the twelve-month period from April 1, 2014 to March 31, 2015, for implementation of the Healthy Communities Partnership program. A work plan outlining activities within the program was also approved. Toronto Public Health will work with relevant community partners to create policies that will improve the health status and reduce the health inequalities of communities in Toronto. Policy and health promotion activities will support communities in the areas of enhancing access to recreation and physical activity as well as access to food and healthy eating. This report recommends Council authorize Toronto Public Health's 2014 Approved Operating Budget be adjusted by $0.474 million gross and $0 net to reflect the additional Provincial funding. The remaining funding will be included in the Program's 2015 Operating Budget to continue the Healthy Communities Partnership Program to March 2015.

Preschool and Language Program:

This report recommends Council authorize Toronto Public Health’s 2014 Approved Operating Budget be increased by $0.433 million gross and $0 net to recognize base funding confirmed by the Ministry of Children and Youth Services for the Preschool Speech and Language Program (PSL). The program was developed to ensure that every child in Toronto achieves their optimal speech and communication development. The purpose of the increase of Provincial base funding is to reduce assessment and treatment waitlists for the PSL program in support of the Special Needs Strategy.

Supporting New Aboriginal Affordable Housing:

This report recommends City Council authorize Shelter, Support and Housing Administration's 2014 Approved Operating Budget be increased by $0.230 million gross and $0 net fully funded by the Capital Revolving Fund for Affordable Housing, a one-time grant previously approved by Council on June 11, 2013 (MM36.33) to support construction of new affordable housing for Aboriginal people at 160-162 Kenwood Avenue. The funding delay resulted from a late construction start, as the planning and permit approval process took longer than planned.

Consulting Costs

As at September 30, 2014, Tax and Rate Supported Operations reported actual consulting costs of $3.573 million resulting in under-spending of $0.491 million or 12.1% of $4.064 million in planned expenditures. The under-expenditure was driven mainly by Toronto Employment and Social Services, Children’s Services and Toronto Zoo.

Utility Costs

As at September 30 2014, Tax and Rate Supported Operations reported actual utility costs of $127.896 million (compared to the planned expenditures of $123.246 million) resulting in an over-expenditure of $4.650 million or 3.8% compared to budget. The over-expenditure in utility costs was primarily the result of extreme weather conditions earlier in the year. Several Programs reported higher than budgeted utility costs, most notably Toronto Water, Transportation Services and Facilities Management and Real Estate Services.

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SIGNATURE

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Roberto Rossini
Deputy City Manager & Chief Financial Officer

ATTACHMENTS

Appendix A – City of Toronto Net Expenditures for Nine Months Ended September 30, 2014
Appendix B – City of Toronto Gross Expenditures for Nine Months Ended September 30, 2014
Appendix C – City of Toronto Revenues for Nine Months Ended September 30, 2014
Appendix D – City of Toronto Complement for Nine Months Ended September 30, 2014
Appendix E – City of Toronto Complement Projections for 2014 Year-End
Appendix F – City of Toronto Budget Adjustments for Nine Months Ended September 30, 2014
Appendix G – City of Toronto Significant City Programs/Agencies Variance Explanations