



Roberto Rossini  
Deputy City Manager & Chief Financial Officer

City Hall, 7<sup>th</sup> Floor, East Tower  
100 Queen Street West,  
Toronto, Ontario M5H 2N2

Tel: 416-392-8773  
Fax: 416-397-5236  
rossin@toronto.ca  
www.toronto.ca

## 2016 OPERATING BUDGET BRIEFING NOTE

### Internal Services Programs: 2013-2016 Trends for Specific Expenditure Accounts

#### Issue/Background:

At its meeting on December 15, 2015, the Budget Committee requested all Divisions and Agencies to provide briefing notes to the January 5, 2016 meeting which detail expenditures in 2013, 2014, and 2015, and proposed expenditures set out in the 2016 budget request for various cost categories.

This briefing note provides information for the Internal Services Programs: Office of the Chief Financial Officer (Finance & Administration; Corporate Finance; and Financial Planning); Office of the Treasurer (Accounting Services; Pension, Payroll & Employee Benefits; Purchasing & Materials Management; and Revenue Services); Facilities, Real Estate, Environment & Energy; Fleet Services; 311 Toronto; and Information & Technology.

#### Key Points:

- Internal Services' 2013, 2014, 2015, and 2016 preliminary expenditures for the various cost categories that the Budget Committee has requested are summarized in the following table:

Category	(\$000s)				
	2013 Actual	2014 Actual	2015 Budget	2015 Year End Projection	2016 Preliminary Budget
Mailing	3,711	4,010	4,296	4,014	4,282
Advertising & Promotion	493	517	763	579	627
Office Supplies	1,671	1,482	1,803	1,509	1,690
Business Travel	252	252	374	276	359
Training	425	651	631	481	689
Conferences	102	130	220	122	178
Materials & Equipt - Communications	6	15	7	36	35
Rental of Office Equipment	105	89	153	108	155
Contracted Services - Renovations	0	5	30	5	5
Materials & Equipment - Hand Tools	2	1	29	3	7
Professional & Technical - Management Fees	6	6	7	6	7
Catering Services	0	0	8	0	0
Business Meeting Expenses	31	68	30	81	32
Total	6,805	7,227	8,351	7,220	8,066

- Expenditure details by Program are provided in Appendix 1.
- Overall, the 2016 preliminary budget for the above cost categories is \$285,000 lower than the 2015 budget.
- In comparison with the 2015 projected year-end spending, the 2016 preliminary budget for Business Meeting Expenses is reduced by \$49,000 or 60%; Materials & Equipment – Communications and Contracted Services – Renovations and Catering Services are capped at about 2015 projected actual spending level; and other cost categories are higher than the 2015 projected year end spending. Reasons for the increases are explained below.

### Mailing

- The 2016 preliminary budget for Mailing is \$4.282 million, which is \$13,000 lower than the 2015 Budget and \$268,000 higher than the 2015 projected actual spending.
- The 2016 preliminary budget of \$4.282 million is primarily in the Office of the Treasurer, Revenue Services' budget for postage costs in mailing property tax and utility bills, and parking infraction notifications. Approximately 68% of Revenue Services' postage expenditures are recovered from its client Divisions (Toronto Water; Solid Waste; and Parking Tag Operations).
- The 2016 preliminary budget includes 3% inflationary adjustment of \$120,000. In addition, approximately \$100,000 will be required to issue additional re-adjusted utility bills as a result of the proposed change in the Solid Waste Rebate program.

### Advertising & Promotion

- The 2016 preliminary budget for Advertising & Promotion is \$627,000, which is \$136,000 lower than the 2015 Budget and \$48,000 higher than the 2015 projected actual spending.
- \$479,000 or 77% of the 2016 preliminary budget is in the Environment & Energy and Real Estate budgets.
  - Budget for Environment & Energy (\$221,000) is used to promote the Home Energy Retrofit Loan Program (HELP); the Smart Commute; Eco-Roof Programs; and Live Green Festivals. 2016 preliminary budget is \$60,000 higher than the 2015 projected actual spending. This increase is required to implement the new marketing strategy for the HELP Program.
  - Budget in Real Estate Services (\$258,000) is used for advertisement costs for the St. Lawrence Market (South and North) and St. Lawrence Hall, and for vacancy advertising for real estate leasing. 2016 preliminary budget is \$39,000 higher than the 2015 projected actual spending. This budget is funded from the St. Lawrence Market Advertising Fund.

### Office Supplies

- The 2016 preliminary budget for Office Supplies is \$1.690 million, which is \$113,000 lower than the 2015 Budget and \$181,000 higher than the 2015 projected actual spending.
- \$1.068 million of the 2016 preliminary budget is in the Office of the Treasurer - Revenue Services Division for third party printing and reproduction related to property taxes, utility billing

and parking tickets. Revenue Services recovers approximately 48% of these costs through Solid Waste; Toronto Water; and Parking Tag Operations.

- The under-spending in 2015 is due to a new lower priced contract, however, quality has suffered and much additional staff time has been required to compensate. Therefore the savings are not sustainable, and the contract is expected to be re-tendered in 2016. Accordingly, this accounts for the required budget increase of \$200,000 or 13% above 2015 actual expenditures. The 2016 preliminary budget will still be \$113,000 or 6% lower than the 2015 Budget.

### Business Travel

- The 2016 preliminary budget for Business Travel is \$359,000, which is \$16,000 lower than the 2015 Budget and \$83,000 higher than the 2015 projected actual spending.
- The 2016 preliminary budget for business travel is mainly in Facilities, Real Estate, Environment & Energy (\$186,000), and Information & Technology (\$104,000).
  - Business travel is used by Facilities Operations; Custodial; and I&T staff who travel to various corporate and client buildings to perform their duties. The budget is also used by Project Managers who spend a significant amount of time off-site managing capital construction projects.

### Training

- The 2016 preliminary budget for Training is \$689,000, which is \$58,000 higher than the 2015 Budget and \$208,000 higher than the 2015 projected actual spending.
- The 2016 preliminary budget of \$689,000 for Training is required to allow staff to keep up-to-date on their professional development requirements, mandatory and/or legislated training, as well as to get or keep up-to-date with best practices.
  - The 2016 preliminary training budget in Information & Technology Division is \$293,000 or an increase of \$27,000 based on higher expenditures than budget in previous years. The training budget will ensure that IT leaders and staff are trained in a timely manner in order to meet the requirements of developing a high performance team, new technology solutions and a commitment to operational excellence. Actual spending on training has been higher than the budget in I&T in previous years as the budget has not been adequate, and this is the reason for the budget increase in 2016.
  - 311 Toronto's 2016 preliminary budget for Training (\$67,000) includes an increase of \$38,000 from 2015 Budget. The increase is necessary for Distress Call Handling Training Program. This training specializes in empowering Customer Service Representatives with the knowledge, training, protocols and support to manage calls of a highly distressing nature.
- In 2015, the Internal Services Divisions' training budgets will be under spent due to:
  - Limited time was available for staff in the Chief Financial Officer's and Treasurer's division to attend training due to multiple priorities, increased workload and vacancies. As a result, these divisions project an under spending of \$25,000 in the Chief Financial Officer's divisions and \$60,000 in the Treasurer's divisions.

- Fleet Services was not successful in obtaining a contract for technical Original Equipment Manufacturer (OEM) Level training through competitive procurement process. This resulted in an under-spending of \$57,000. Technical training, as identified in the recent Fleet Services operations review, is critical to Fleet Services' maintenance operations to improve knowledge, productivity, and the provision of value added services. This training will occur in 2016.
- Training has been identified as a priority in 2016 as approximately 46% of staff could retire in the next five years. Training will be critical for staff development to ensure proper succession planning in critical financial functions.
- There are over 3,000 approved operating and capital positions in Internal Services, and the budget provides approximately \$226 per position.

### Conferences

- The 2016 preliminary budget for conferences is \$178,000, which is \$42,000 lower than the 2015 Budget and \$56,000 higher than the 2015 projected actual spending.
- Conference budget includes all costs associated with attending a conference, e.g. travel, accommodation, and registration fee.
- Attendance at conferences will allow staff to stay up-to-date on new technologies and business processes and network and share experiences with industry leaders and colleagues from other municipalities.
- 2015 projected under-spending in Conference budget is mainly in 311 Toronto (\$18,000) and Treasurer's (\$21,000) budgets. As a result of multiple priorities and increased workload such as implementation of capital projects, staff had limited time to attend conferences.
- In 2016, expenditures are anticipated to be higher as the Government Finance Officers Association (GFOA) Conference will be held in Toronto in May. As Host City, we are planning for broad representation by municipal finance staff.

### Rental of Office Equipment

- The 2016 preliminary budget for rental of office equipment is \$155,000, which is \$2,000 higher than the 2015 Budget and \$47,000 higher than the 2015 projected actual spending.
- \$102,000 of the 2016 preliminary budget is in the Office of the Chief Financial Officer's budget for the leasing of proprietary software, data services and network access/router services from Bloomberg Finance LP for capital markets.
- The 2015 under-spending of \$47,000 is mainly attributable to the change in the City-wide print management strategy. The City has discontinued the use of leased photocopiers and replaced them with purchased multi-function devices. Beginning in 2015, the costs of repairs; maintenance; ink; toner; staples; and other consumables but not including paper are being charged to new line item "Managed Print Charges". Budget in the "Rental of Office Equipment"

line item will be reallocated to the "Managed Print Charges" line item in 2016, where the charges are.

Business Meeting Expenses

- The 2016 preliminary budget for Business Meeting Expenses is \$32,000, which is \$2,000 higher than the 2015 Budget and \$49,000 lower than the 2015 projected actual spending.

Attachment:

Appendix 1 – Detail Expenditures by Program

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**Prepared by:** Bruce Shintani, Director, Finance & Administration  
(416) 392-9693, [bshintan@toronto.ca](mailto:bshintan@toronto.ca)

**Further information:** Roberto Rossini, Deputy City Manager & Chief Financial Officer  
(416) 392-8773, [rossini@toronto.ca](mailto:rossini@toronto.ca)

Mike St. Amant, Treasurer  
(416) 392-8427, [mstaman@toronto.ca](mailto:mstaman@toronto.ca)

Josie Scioli, Chief Corporate Officer  
(416) 397-4156, [jscioli@toronto.ca](mailto:jscioli@toronto.ca)

Lloyd Brierley, General Manager, Fleet Services  
(416) 392-1034, [lbrierl@toronto.ca](mailto:lbrierl@toronto.ca)

Gary Yorke, Director, 311 Toronto  
(416) 338-7789, [gyorke@toronto.ca](mailto:gyorke@toronto.ca)

Rob Meikle, Chief Information Officer, Information & Technology  
(416) 392-8421, [robmeikle@toronto.ca](mailto:robmeikle@toronto.ca)

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**Appendix 1  
Detail Expenditures by Program**

**Office of the Chief Financial Officer**

Category	(\$000s)				
	2013 Actual	2014 Actual	2015 Budget	2015 Year End Projection	2016 Preliminary Budget
Mailing	0	0	0	2	0
Advertising & Promotion	29	2	46	51	28
Office Supplies	24	21	57	32	51
Business Travel	4	2	16	3	14
Training	15	3	44	19	44
Conferences	6	9	34	17	31
Materials & Equipt - Communications	0	0	0	0	0
Rental of Office Equipment	71	71	75	99	102
Contracted Services - Renovations	0	0	0	0	0
Materials & Equipment - Hand Tools	0	0	0	0	0
Professional & Technical - Management Fees	6	6	7	6	7
Catering Services	0	0	0	0	0
Business Meeting Expenses	3	5	8	13	8

**Office of the Treasurer**

Category	(\$000s)				
	2013 Actual	2014 Actual	2015 Budget	2015 Year End Projection	2016 Preliminary Budget
Mailing	3,695	4,001	4,235	4,004	4,272
Advertising & Promotion	87	70	92	88	97
Office Supplies	1,330	1,239	1,349	1,100	1,273
Business Travel	21	23	45	27	45
Training	26	30	98	38	98
Conferences	19	23	49	27	48
Materials & Equipt - Communications	0	0	1	0	6
Rental of Office Equipment	7	4	32	0	24
Contracted Services - Renovations	0	0	0	0	0
Materials & Equipment - Hand Tools	0	0	0	0	1
Professional & Technical - Management Fees	0	0	0	0	0
Catering Services	0	0	0	0	0
Business Meeting Expenses	6	6	10	7	10

**Facilities, Real Estate, Environment & Energy**

Category	(\$000s)				
	2013 Actual	2014 Actual	2015 Budget	2015 Year End Projection	2016 Preliminary Budget
Mailing	6	6	44	6	6
Advertising & Promotion	258	364	601	381	481
Office Supplies	197	133	202	158	151
Business Travel	125	136	188	140	186
Training	37	56	96	68	96
Conferences	33	47	67	45	45
Materials & Equipt - Communications	0	0	0	21	24
Rental of Office Equipment	16	9	34	5	20
Contracted Services - Renovations	0	5	30	5	5
Materials & Equipment - Hand Tools	1	0	6	0	1
Professional & Technical - Management Fees	0	0	0	0	0
Catering Services	0	0	6	0	0
Business Meeting Expenses	9	30	10	39	10

**Fleet Services**

Category	(\$000s)				
	2013 Actual	2014 Actual	2015 Budget	2015 Year End Projection	2016 Preliminary Budget
Mailing	1	2	14	0	3
Advertising & Promotion	0	1	0	5	0
Office Supplies	25	23	57	50	57
Business Travel	6	8	5	6	8
Training	3	27	97	34	91
Conferences	8	1	11	5	9
Materials & Equipt - Communications	0	0	0	0	0
Rental of Office Equipment	8	4	10	2	7
Contracted Services - Renovations	0	0	0	0	0
Materials & Equipment - Hand Tools	0	0	23	3	6
Professional & Technical - Management Fees	0	0	0	0	0
Catering Services	0	0	0	0	0
Business Meeting Expenses	0	0	0	0	0

**311 Toronto**

Category	(\$000s)				
	2013 Actual	2014 Actual	2015 Budget	2015 Year End Projection	2016 Preliminary Budget
Mailing	0	0	0	0	0
Advertising & Promotion	0	2	5	25	0
Office Supplies	16	8	11	8	8
Business Travel	1	0	1	1	1
Training	11	14	29	22	67
Conferences	15	6	18	0	18
Materials & Equipt - Communications	6	11	6	13	6
Rental of Office Equipment	1	0	0	0	0
Contracted Services - Renovations	0	0	0	0	0
Materials & Equipment - Hand Tools	0	0	0	0	0
Professional & Technical - Management Fees	0	0	0	0	0
Catering Services	0	0	0	0	0
Business Meeting Expenses	3	0	0	0	0

**Information & Technology**

Category	(\$000s)				
	2013 Actual	2014 Actual	2015 Budget	2015 Year End Projection	2016 Preliminary Budget
Mailing	9	0	3	2	2
Advertising & Promotion	119	78	20	30	21
Office Supplies	79	58	127	160	149
Business Travel	96	83	119	99	104
Training	333	521	266	301	293
Conferences	21	44	40	28	28
Materials & Equipt - Communications	1	4	0	1	0
Rental of Office Equipment	1	2	2	2	2
Contracted Services - Renovations	0	0	0	0	0
Materials & Equipment - Hand Tools	0	0	0	0	0
Professional & Technical - Management Fees	0	0	0	0	0
Catering Services	0	0	2	0	0
Business Meeting Expenses	11	27	2	22	5