



**Presentation to
Executive Committee
September 19, 2011**

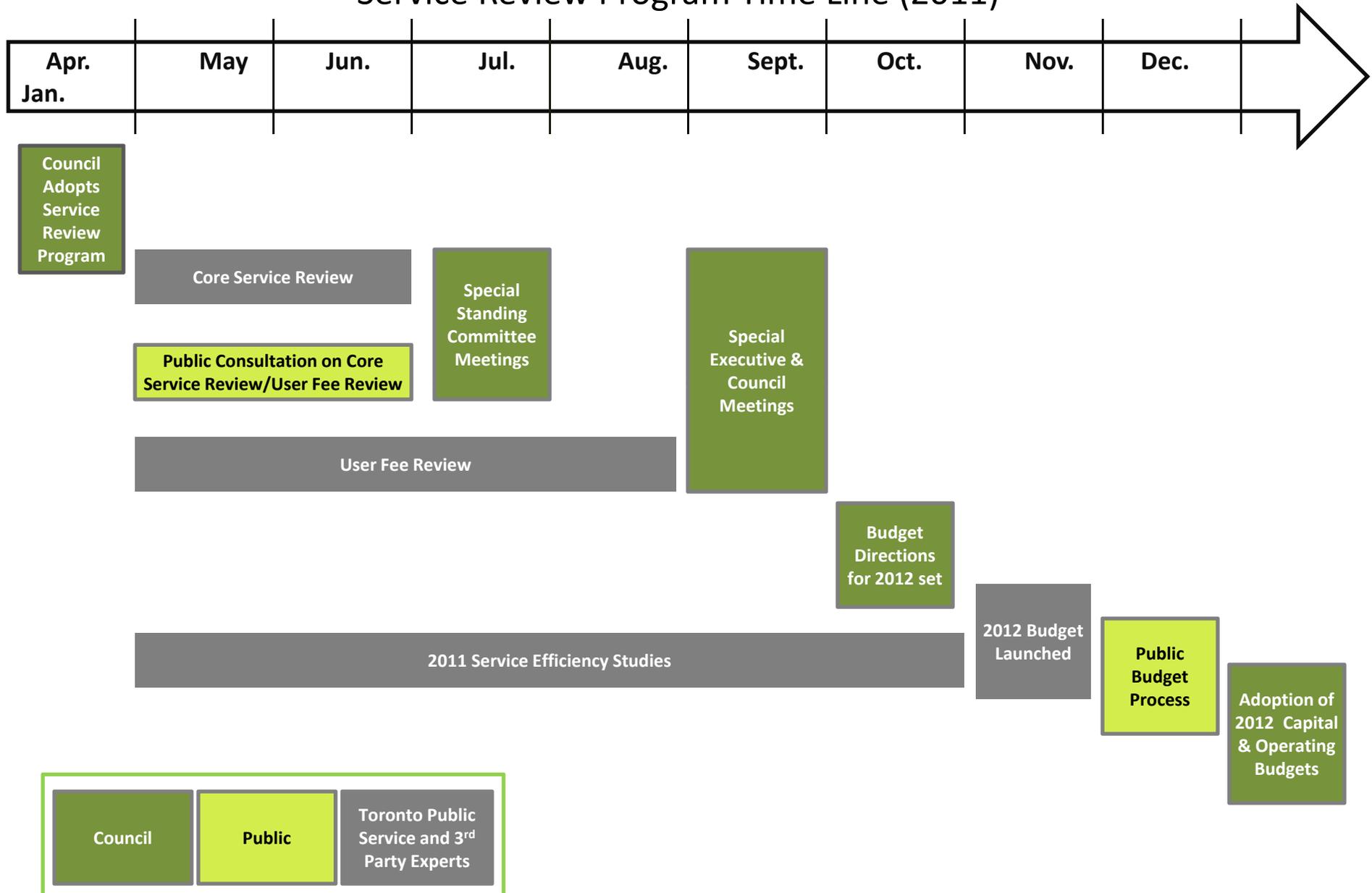
- **Core Service Review Final Report**
- **Voluntary Separation Program**
- **User Fee Policy Report**

City Manager

Service Review Program - Background

- City of Toronto's 2012 operating pressure estimated at \$774 million
- To address the 2012 Operating Pressure and the Capital Program funding gap, a multi-year approach is necessary
- On April 13, 2011, Council adopted the City Manager's report that recommended completion of a Service Review Program during 2011 in preparation for the 2012 Budget

Service Review Program Time Line (2011)*



*For details see Council Report [Service Review Program, 2012 Budget Process and Multi-year Financial Planning Process](#)

Key Decisions for Executive Committee & Council

- Confirm core / non core services and divestment opportunities
 - Recommendations 1, 3
- Refer additional reduction opportunities to programs for inclusion in budget reduction proposals
 - Recommendation 2
- Refer other efficiency related matters to the City Manager for implementation in 2012 and future years' budget processes or to report to Council where specific authorities are required
 - Recommendations 14, 15

Key Decisions for Executive Committee & Council

- Staff require direction on these matters now in order to:
 - Complete 10% budget reduction proposals
 - Approve voluntary separation program applications
- Decisions will also provide more certainty to staff about how they will be affected by the reductions and changes

Core Service Review

- KPMG's Analysis
 - *Ranked 90% of services as core* - required by legislation or essential to the effective functioning of Toronto's government)
 - Ranked 8% of services as traditional – enhance the quality of life and liveability and contribute to a healthy and vibrant economy
 - Ranked 1% of services as other/discretionary – respond to emerging needs and priorities, support strategic priorities
 - *Assessed that 85% of services are delivered at or below standard* and 15% are delivered above standard

Core Service Review

- KPMG's Identified Opportunities
 - 69 opportunities to eliminate, divest or reduce services
 - 119 opportunities to conduct further review to achieve efficiencies and cost savings
 - Careful review of KPMG-identified opportunities undertaken over the past month in the context of input from the public consultation and deputations, the priorities of the City government, current financial pressures and the implications of making any changes

Core Service Review

- City Manager's Report to Executive Committee
 - Recommendation 1 directs staff to adjust services and service levels for 24 non-core service areas now to meet 2012 budget requirements -
 - Recommendation 2 refers 15 opportunities to divisions, and agencies where applicable, for consideration as part of their general program reduction to meet the 2012 budget reduction target
 - Recommendation 3 authorizes the City Manager to initiate a process to divest the Toronto Zoo, the Theatres, and Heritage Toronto

Core Service Review

- City Manager's Report to Executive Committee
 - Recommendations 4 to 7 direct staff or agency boards to develop a plan to enhance their financial condition and report back
 - Recommendation 8 refers opportunities that are longer term to the City Manager to undertake broad service and organizational studies such as Long Term Care, Child Care, EMS & Fire and report back to Council as required
 - Recommendations 9 to 13 request staff to review certain policy matters such as a establishing regional economic development agency, and report to the relevant Standing Committee
 - Recommendation 14 refers the efficiency-related opportunities to the City Manager for consideration, and implementation through the 2012, 2013 and 2014 Operating Budgets, or to report to Council where specific authorities are required

Core Service Review

- City Manager's Report to Executive Committee
 - Recommendation 15 refers efficiency –related motions from Standing Committees to the City Manager for consideration, and implementation through the 2012, 2013 and 2014 Operating Budgets, or to report to Council where specific authorities are required
 - Recommendation 16 provides authority to the City Manager to undertake actions necessary to implement Recommendations 1, 14, and 15, for example:
 - To negotiate agreements, e.g., to transfer Black Creek Urban Farm to TRCA
 - To ensure all collective agreements and other policies and obligations are followed during implementation

Core Service Review

- With Council approval of these service eliminations and reductions, and the implementation of the efficiencies identified by KPMG, the total savings is estimated to be approximately \$200 to \$300 million over the period 2012 to 2014. For 2012, the estimated savings from service eliminations, reductions and KPMG identified efficiencies being actively considered by staff, are projected at approximately \$100 million, and will contribute to reaching the 2012 budget target.
- Capital expenditure reductions as a result of adopting the recommendations in this report could total approximately \$132 million gross in the ten-year capital plan.

Voluntary Separation Program

- City Manager announced program: July 12, 2011
- Permanent Employees eligible except L3888 members (firefighters)
- Closing Date: Friday, September 9, 2011
- 23 Information Sessions conducted by HR and PPEB staff between July 26 and August 15, 2011, at Metro Hall and Civic Centres with over 1,300 employee attending sessions
- CM report to Executive Committee (Sept 19th) for Council approval of new VSP program at special Council meeting on September 26/27

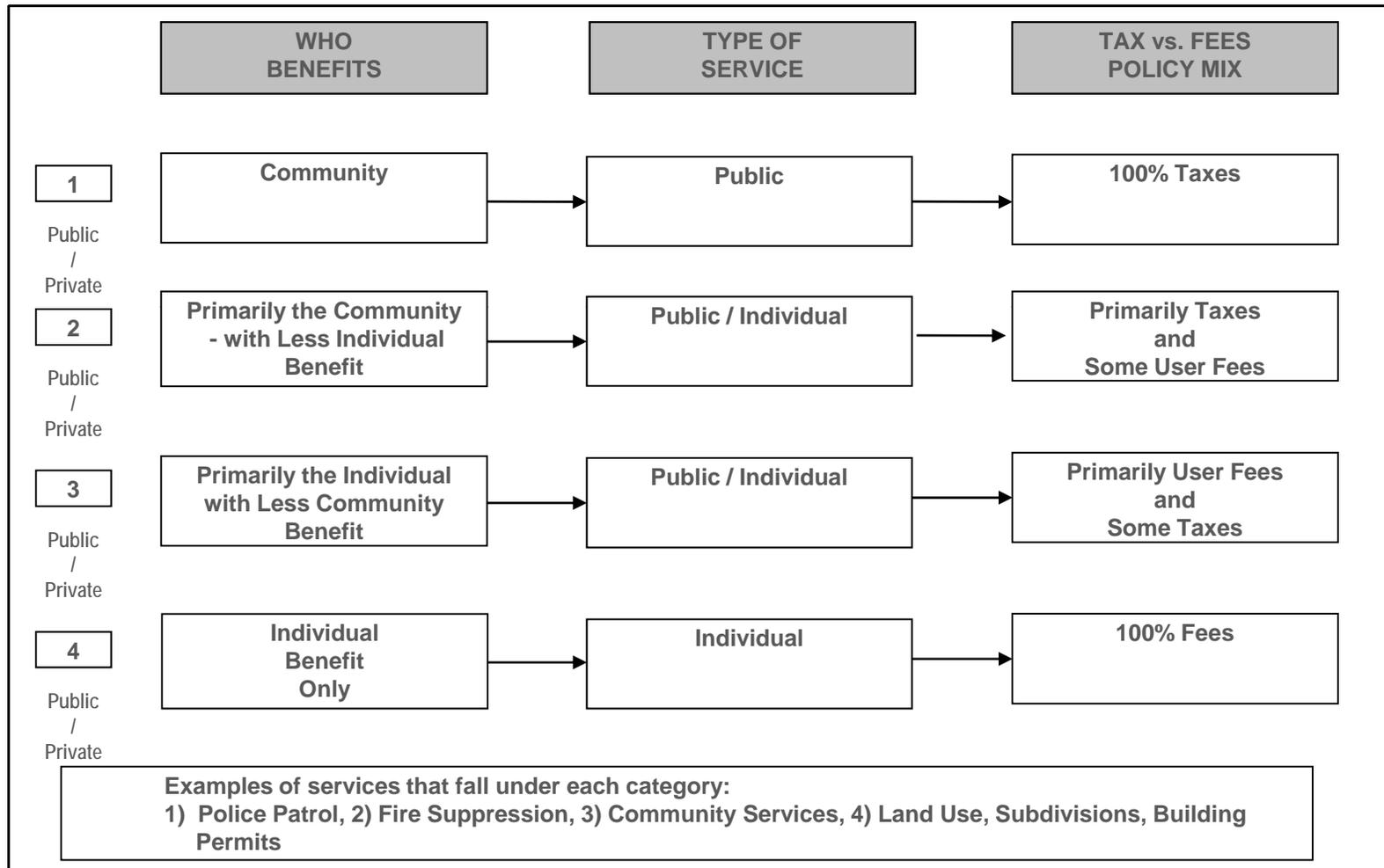
Voluntary Separation Program

PROJECTED ESTIMATED COST OF VSP

- Number of Applications Received as of 12 noon September 9 – 1,146
- Assuming about a 70% approval rate of applications
- Cost estimate calculations based upon 70% of 1,000 applications (Sept 8, 2011)
- Permanent reduction of 700 permanent positions
(88% union and 12% non-union/management positions)
- The estimate one-time cost of the VSP is: **\$41M**
 - Funded through 2010 or 2011 Surplus
- Estimated base annual budget (Gross) reduction: **\$58.9M**
- \$41M includes estimated: VSP payments, Vacation Payouts, Sick Bank Payouts

User Fee Policy Report

- When to Charge User Fees



User Fee Policy - Principles

1. Charge user fee when a service provides a direct benefit to individuals, identifiable groups or businesses
2. Determine full cost of service as the starting point for setting the user fee
3. Full cost includes direct, indirect, and capital costs
4. Subsidy is granted when less than full cost is recovered
5. Consider waivers and rebates for groups of individuals or businesses based on criteria such as ability to pay
6. Automatic annual inflation adjustment is effective January 1 of each year
 - Inflation to be based on basket of goods user to provide specific user fee services

User Fee Policy - Principles

7. Review user fees:
 - annually as part of the operating budget
 - at least once every 4 years to ensure compliance with the approved principles
8. Allocate revenues to pay for cost incurred to provide the user fee service – place capital costs in a Capital Reserve Fund
9. Provide Public Notice period of five working days when introducing new user fees or changes to existing user fees (excludes annual automatic inflation adjusted user fees)
10. Undertake Public Consultation when recommending new fees or significantly changing existing fees outside the budget process
11. Council must approve all fees including fees of Local Boards, excluding TTC

User Fee Policy - Principles

12. All user fees to be included in Chapter 441 of the City of Toronto Municipal Code
13. Review User Fee Policy every 4 years to ensure relevance and to reflect best practices