



## City Budget 2012

## Toronto Atmospheric Fund Operating Budget Analyst Notes

The City of Toronto's budget is presented by program and service, in Analyst Note format. The City's Operating Budget pays the day-to-day operating costs for City services.

# 2012 Operating Budget

## 2012 OPERATING BUDGET ANALYST BRIEFING NOTES BUDGET COMMITTEE NOVEMBER 28, 2011

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## PART I: RECOMMENDATIONS

2012 Recommended Operating Budget  
(In \$000s)

(In \$000s)	2011		2012 Recommended Operating Budget			Change - 2012 Recommended Operating Budget v. 2011 Appvd. Budget		FY Incremental Outlook	
	2011 Appvd. Budget	2011 Projected Actual	2012 Rec. Base	2012 Rec. New/Enhanced	2012 Rec. Budget	\$	%	2013	2014
	\$	\$	\$	\$	\$			\$	\$
<b>GROSS EXP.</b>	2,236.2	2,236.2	2,279.0	0.0	2,279.0	42.8	1.9	45.0	46.5
<b>REVENUE</b>	2,236.2	2,236.2	2,279.0	0.0	2,279.0	42.8	1.9	45.0	46.5
<b>NET EXP.</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Approved Positions</b>	7.0	7.0	7.0	0.0	7.0	0.0	0.0	0.0	0.0

Target Comparison	10% Reduction Target	2012 Rec.'d Reduction	2012 10% Reduction vs. 2012 Rec'd Reduction	Target %
2012 Reductions	(223.6)	-	(223.6)	0.0%

## Recommendations

The City Manager and Chief Financial Officer recommend that:

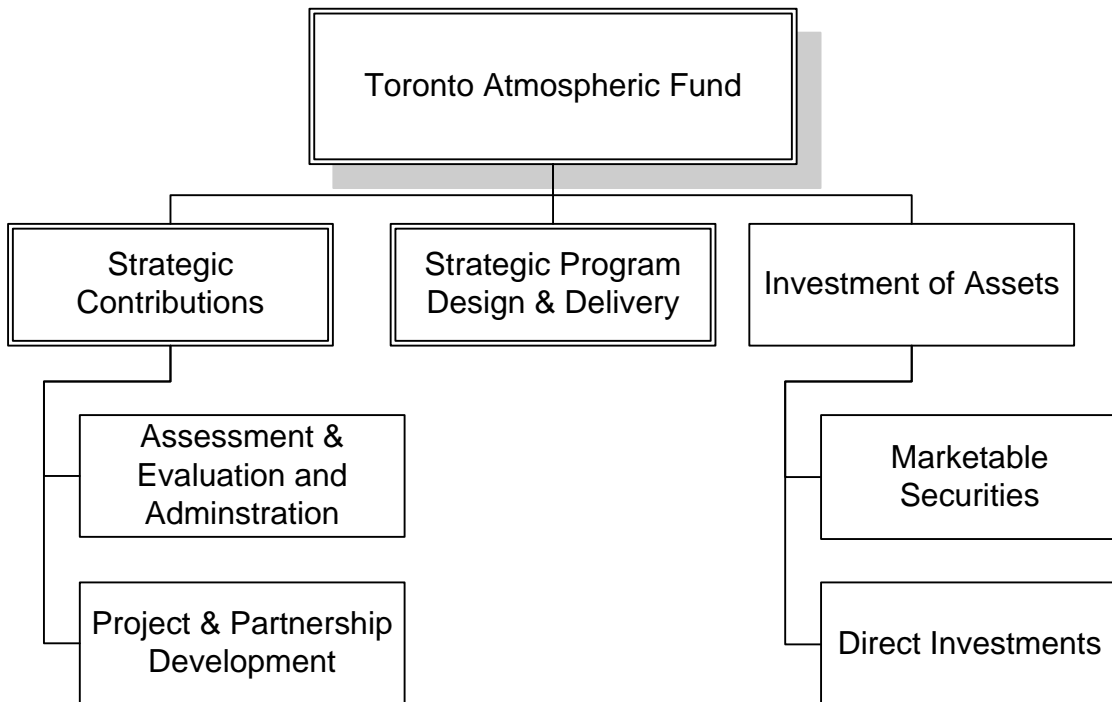
1. City Council approve the 2012 Recommended Operating Budget for Toronto Atmospheric Fund of \$2.279 million gross and \$0 million net, comprised of the following service:

<u>Service(s)</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Toronto Atmospheric Fund	2,279.0	0.0
<b>Total Program Budget</b>	<u>2,279.0</u>	<u>0.0</u>

**PART II: 2012 SERVICE OVERVIEW AND PLAN**

**Program Map and Service Profiles**

TAF helps slow global climate change and improve local air quality by using TAF’s assets and revenue to advance local initiatives that reduce Toronto’s greenhouse gas emissions. The following chart reflects TAF's services and activities:



## 2012 Service Deliverables

The 2012 Operating Budget of \$2.279 million gross \$0 million net will provide funding for:

- Designing, developing and implementing the three core programs, specifically:
  - Incubating Climate Solutions
  - Mobilizing Financial Capital
  - Mobilizing Social Capital
- The advancement of new approaches and technologies to reduce GHG (Greenhouse Gas) emissions to improve air quality and create a vibrant green economy.
  - The primary focus is on emissions associated with transportation fuels, both gasoline and diesel fuels, and emissions associated with natural gas, which is primarily used for space heating and water heating.
- Developing incubation/demonstration initiatives, drawing on a customized package of tools and approaches including policy changes, social engagement, innovative financing and renewable energy technologies.
- Using returns on investments to support initiatives that help identify and advance innovative approaches and technologies for reducing urban greenhouse gas and air pollution emissions, with priority on addressing emissions associated with natural gas (used for space heating, water heating, industrial process heating) and transportation fuels (commercial and personal).
- Providing contributions to:
  - City of Toronto projects
  - Projects undertaken by non-profit organizations domiciled in Toronto
  - Strategic programs incubated by TAF
- Managing diversified portfolio with the guidance and oversight of the Board-appointed Investment Committee.

## PART III: RECOMMENDED BASE BUDGET

### 2012 Recommended Base Budget (In \$000s)

(In \$000s)	2011 Appvd. Budget	2012 Recommended Base	Change 2012 Recommended Base v. 2011 Appvd. Budget		FY Incremental Outlook	
	\$	\$	\$	%	2013	2014
					\$	\$
<b>GROSS EXP.</b>	2,236.2	2,279.0	42.8	1.9	45.0	46.5
<b>REVENUE</b>	2,236.2	2,279.0	42.8	1.9	45.0	46.5
<b>NET EXP.</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Approved Positions</b>	7.0	7.0	0.0	0.0	0.0	0.0

### 2012 Recommended Base Budget

- The 2012 Recommended Base Budget of \$2.279 million gross and \$0 million net represents a \$0.043 million or 1.9% increase over the 2011 Approved Operating Budget of \$2.236 million gross, \$0 net. No service level changes have been recommended.
- TAF's budget is funded from the investment of an endowment fund and other external sources. It is not funded from the City's tax base.
- The 2012 Recommended Operating Budget for TAF reflects no changes to the 2011 staff complement as noted below:

#### 2012 Recommended Staff Complement – Base Budget Summary

Changes	Staff Complement
<b>2011 Approved Positions</b>	7.0
- 2011 In-year Adjustments	
2011 Approved Staff Complement	<b>7.0</b>
<b>2012 Recommended Staff Complement Changes</b>	
- 2012 Temporary Positions - Capital Project Delivery	
- 2012 Operating Impacts of completed Capital Projects	
- 2012 Service Changes	
<b>Total Recommended Positions</b>	<b>7.0</b>

## 2012 Recommended Service Changes

- The 2012 Recommended Operating does not include any recommended service changes. TAF's expenditure budget is dictated by projected investment earnings and grants from other orders of government and third party agencies.
- The fluctuations resulting in increased costs have been offset by projected investment income increases and fundraising activities.

## 2013 and 2014 Outlook:

- Approval of the 2012 Recommended Base Budget for TAF will result in incremental costs of \$0.045 million gross and \$0 million net in 2013 and \$0.047 million gross and \$0 million net in 2014 to maintain the 2012 level of service. Future year costs are primarily attributable to the following:
  - For 2013, the incremental expenditures are projected to be \$0.045 million. The 2013 Outlook includes increases in progression pay and fringe benefit adjustments offset by savings in discretionary expenditures and revenue generated through investment income of the endowment portfolio and fundraising activities.
  - The 2014 projected increase of \$0.047 million includes progression pay and fringe benefit adjustments offset by savings in discretionary expenditures and revenue generated through investment income of the endowment portfolio and fundraising activities.

## PART V: ISSUES FOR DISCUSSION

### 2012 and Future Year Issues

#### 2012 Issues

##### *Investment and Other Income*

- TAF uses its endowment capital to generate earnings to fund grants to non-profit agencies and to the City that are advance innovative energy efficiency and greenhouse gas reduction initiatives.
- As a result of current poor market conditions the 2012 Recommended Operating Budget includes a draw from the capital fund of \$0.234 million, based on conservative performance projections.
- TAF's external fundraising performance has been steadily improving on the strength of strategic programs and the ability to leverage internal resources.
- TAF will be providing quarterly variance reports to the Budget Committee to monitor its investment income and revenue generated from fundraising.

##### *Core Service Review Impacts*

- At its Special Meeting of September 26 and 27, 2011, City Council approved the report 'Core Service Review – Final Report to Executive Committee' from the City Manager with his recommendations on the findings of the Core Service Review conducted by KPMG. A recommendation was included to conduct a review to consolidate and reduce environmental services within divisions, and agencies, and refocus their mandates on services that, in the opinion of the City Manager, are required to meet regulatory environmental reporting requirements, support the City's interests, or have the greatest return on investment. This report is pending.

##### *Service Efficiency Review*

- At its meeting of April 12, 2011, City Council approved a report from the City Manager titled 'Service Review program, 2012 Budget Process and Multi-Year Financial Planning Process', dated March, 2011. The report directed that, in addition to other reviews, a service efficiency review be undertaken for environmental programs (across City programs and agencies). The service efficiency review is pending and may impact the 2012 and/or future year program.



# Appendix 1

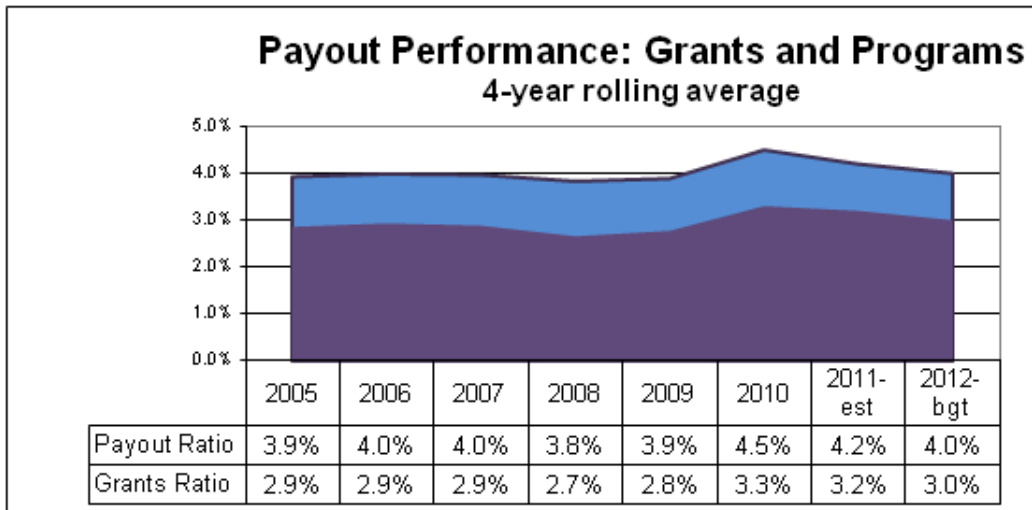
## 2011 Performance

### 2011 Key Accomplishments:

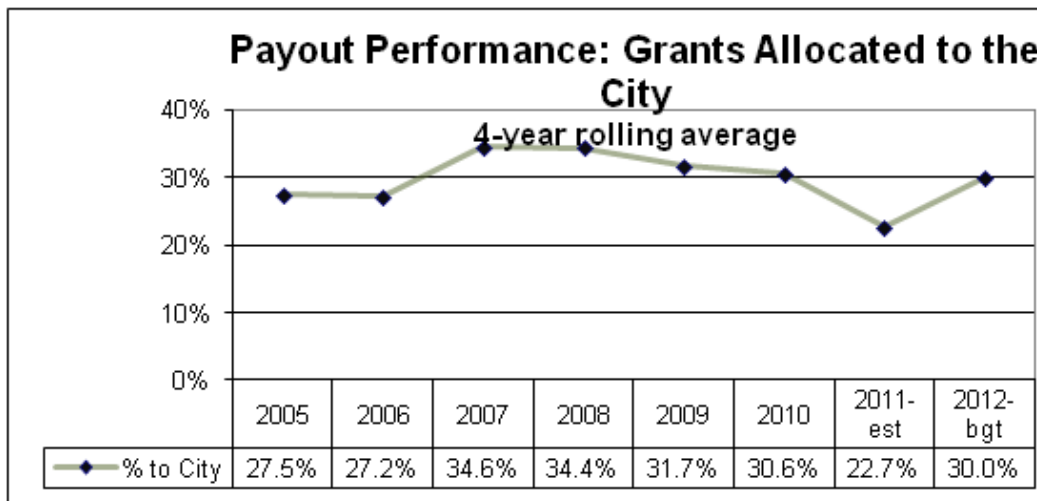
In 2011, TAF's accomplishments included the following:

- ✓ Pooled funding contributions from TAF, from Toronto Water, Enbridge Gas, the Greater Toronto Apartment Association and the Canadian Condominium Institute and facilitated over 400 high-rises in accessing energy efficiency incentives.
- ✓ TAF co-chairs the City's electric vehicle working group. The EV300 initiative is supported by the City's Fleet Services, Ministry of Transportation, Toronto Hydro, Hydro One, Bullfrog Power, Capgemini, Toronto District School Board, City of Hamilton, Electric Mobility Canada and Fleet Challenge Ontario and works towards advancing the adoption of electric vehicles.
- ✓ TAF has convened a new initiative, GeoCity, in partnership with TRCA, Ryerson University's Centre for Urban Energy, Ontario Geothermal Association, Hydro One and others to address emissions associated with space heating and cooling through adoption of urban earth-energy.
- ✓ The SolarCity Technology Assessment Partnership, co-funded by TAF, Facilities & Real Estate and the Federation of Canadian Municipalities, is finalizing the third-party monitoring, documentation and analysis of performance of over 15 large solar thermal and photovoltaic projects in Toronto (solar pools, large solar hot water systems, solar walls). The results will be used to optimize performance of the City's renewable installations and to develop best practices to guide new project installations in the GTA.
- ✓ Results from Toronto's leadership in advanced outdoor lighting (LED and adaptive controls) were showcased in a sold-out 2-day national conference that took place in March of 2011, with lead sponsorship from NRCan. Participants toured 9 advanced lighting sites throughout the City. Having incubated and matured the LightSavers initiative, TAF's involvement in is winding down and the program has been handed off to the Canadian Urban Institute for national deployment.
- ✓ TAF's Investment Committee recommended four new direct investments, and rescinded three un-transacted investments.
- ✓ Contributions to innovative the City of Toronto and community projects totaling \$0.500 million will be awarded.

### 2011 Performance



- TAF is operating within its normal/expected range of spending between 3.5% and 4.5% of the Net Asset Value of its endowment on grants and programs.



- The Grants allocated to the City are calculated on a four year rolling average basis, with a target of at least 30% in 2012.

## 2011 Budget Variance Analysis

### 2011 Budget Variance Review (In\$000s)

(In \$000s)	2009 Actuals	2010 Actuals	2011 Approved Budget	2011 Projected Actuals*	2011 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	2,811.0	2,462.0	2,236.2	2,236.2	0.0	0.0
<b>REVENUES</b>	2,811.0	2,462.0	2,236.2	2,236.2	0.0	0.0
<b>NET EXP.</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Approved Positions</b>	6.0	7.0	7.0	7.0	0.0	0.0

\* Based on the Third Quarter Operating Budget Variance Report.

## 2011 Experience

- The projected year-end net expenditures for TAF are anticipated to be \$0 net.
- The projected expenditures of \$2.236 million fund TAF's programs (Incubating Climate Solutions, Mobilizing Financial Capital, Mobilizing Social Capital) and strategic contributions (grants) to innovative City and community projects.
- The 2011 revenue Budget of \$2.236 million is anticipated to be achieved.

## Impact of 2011 Operating Variance on the 2012 Recommended Budget

- The investment market performance is expected to remain uncertain in 2012. The Recommended Operating Budget includes a capital fund withdrawal of \$0.234 million with a priority on adjusting expenses as in previous years.

## Appendix 2

### 2012 Recommended Operating Budget by Expenditure Category and Key Cost Drivers

#### Program Summary by Expenditure Category (In \$000s)

Category of Expense	2009 Actual	2010 Actual	2011 Budget	2011 Projected Actual	2012 Recommended Budget	2012 Change from 2011 Approved Budget		2013 Outlook	2014 Outlook
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	585.0	695.0	713.2	713.2	755.0	41.8	5.9%	800.0	846.5
Materials and Supplies	58.0	79.0	89.0	89.0	109.0	20.0	22.5%	109.0	109.0
Equipment									
Services & Rents	36.0	36.0	43.0	43.0	54.0	11.0	25.6%	54.0	54.0
Contributions to Capital	1,393.0	230.0							
Contributions to Reserve/Res Funds									
Other Expenditures	739.0	1,422.0	1,391.0	1,391.0	1,361.0	(30.0)	0.0%	1,361.0	1,361.0
Interdivisional Charges									
<b>TOTAL GROSS EXPENDITURES</b>	<b>2,811.0</b>	<b>2,462.0</b>	<b>2,236.2</b>	<b>2,236.2</b>	<b>2,279.0</b>	<b>42.8</b>	<b>1.7%</b>	<b>2,324.0</b>	<b>2,370.5</b>
Interdivisional Recoveries									
Provincial Subsidies									
Federal Subsidies									
Other Subsidies	164.0	315.0	500.0	500.0	500.0		0.0%	500.0	500.0
User Fees & Donations									
Transfers from Capital Fund			233.9		233.7	(0.2)	0.0%	233.7	233.7
Contribution from Reserve Funds									
Contribution from Reserve									
Other Revenues	2,647.0	2,147.0	1,502.3	1,736.2	1,545.3	43.0	2.9%	1,590.3	1,636.8
<b>TOTAL REVENUE</b>	<b>2,811.0</b>	<b>2,462.0</b>	<b>2,236.2</b>	<b>2,236.2</b>	<b>2,279.0</b>	<b>42.8</b>	<b>1.7%</b>	<b>2,324.0</b>	<b>2,370.5</b>
<b>TOTAL NET EXPENDITURES</b>					<b>0.1</b>		<b>0.0%</b>		
<b>APPROVED POSITIONS</b>	<b>6.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>		<b>0.0%</b>	<b>7.0</b>	<b>7.0</b>

### 2012 Key Cost Drivers

- The 2012 budget for salaries and benefits is \$0.755 million, reflecting an increase of \$0.042 million or 5.9% compared to the 2011 budget of \$0.713 million. The increase is primarily due to fringe benefit adjustments and one existing staff moving from part-time to full-time.
- Other Expenditures, which includes funding for Grants, is the largest expenditure category and accounts for 60% of the total expenditures, followed by Salary and Benefits at 33%, Materials and Supplies at 5% and Services and Rents at 2%.
- The increases in Materials & Supplies and Services & Rents reflect an increase in program activity which include outreach, knowledge sharing and partnership activities.