



City Budget
2013

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 the City.

2013 Operating Budget

2013 OPERATING BUDGET ANALYST BRIEFING NOTES

BUDGET COMMITTEE, NOVEMBER 29, 2012

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PART I: RECOMMENDATIONS

2013 Recommended Operating Budget
(In \$000s)

(In \$000s)	2012		2013 Recommended Operating Budget			Change - 2013 Recommended		FY Incremental Outlook	
	Approved Budget	Projected Actual	2013 Rec. Base	2013 Rec. New/Enhanced	2013 Rec. Budget	Operating Budget v. 2012 Appvd. Budget		2014	2015
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	2,279.0	2,279.0	2,143.6	74.4	2,218.0	(61.0)	(2.7)%	309.6	309.0
REVENUE	2,279.0	2,279.0	2,218.0	0.0	2,218.0	(61.0)	(2.7)%	309.6	309.0
NET EXP.	0.0	0.0	(74.4)	74.4	0.0	0.0		0.0	0.0
Approved Positions	7.0	6.6	7.0	1.0	8.0	1.0	14.3%	1.0	1.0

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

1. City Council approve the 2013 Recommended Operating Budget for the Toronto Atmospheric Fund (TAF) of \$2.218 million gross and \$0 million net, comprised of the following service:

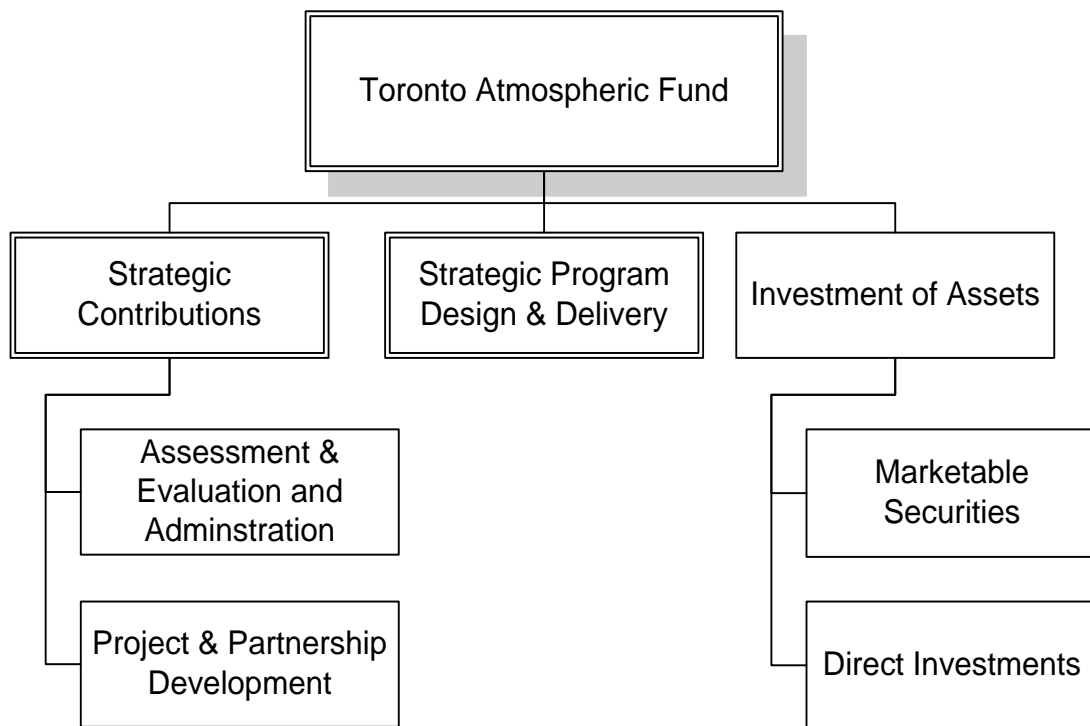
<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Toronto Atmospheric Fund	2,218.0	0.0
Total Program Budget	<u>2,218.0</u>	<u>0.0</u>

2. Toronto Atmospheric Fund's service deliverables as outlined on page 4, associated staff complement of 8.0 positions be approved.

PART II: 2013 SERVICE OVERVIEW AND PLAN

Program Map and Service Profiles

The Toronto Atmospheric Fund (TAF) assists in slowing global climate change and improving local air quality by advancing local solutions that reduce the production of greenhouse gas (GHG) emissions and air pollution. The Toronto Atmospheric Fund collaborates with partners from businesses, community organizations, building owners, and all levels of government to develop services, policies, investments and advancement of new technologies that create a vibrant green economy.



2013 Service Deliverables

The 2013 Recommended Operating Budget of \$2.218 million gross and \$0 net provides funding to:

- Administer and manage a diversified investment portfolio with oversight by the Toronto Atmospheric Fund Board (TAF) and the appointed Investment Committee.
- Design, develop and implement three core programs, specifically:
 - Incubate Climate Solutions;
 - Mobilize Financial Capital;
 - Mobilize Social Capital.
- Provide support and funding for projects related to energy efficiency, global climate stabilization and air quality improvement in co-operation with non-government organizations, governments, industries, corporations, official committees, neighbourhood organizations, universities, and public and private schools.
- Build and expand the TAF Grants Program to generate ideas, stimulate collaborations, and engage more people in finding and implementing low-carbon solutions in Toronto.
- Build fundraising capacity and revenue while advancing opportunities for earned income through energy efficiency financing and securing additional pro bono services to offset core costs.
- Develop effective strategies to reduce emissions from natural gas used for space heating, water heating, industrial process heating, and from transportation fuels, both for commercial and personal purposes.
- Enhance TAF's external outreach by mobilizing more partners and attracting more public and private resources to local energy efficiency investments.
- Enhance new approaches and technologies that reduce greenhouse gas (GHG) emissions to improve air quality and create a vibrant green economy by using a customized package of tools and techniques including: policy changes, social engagement, innovative financing and renewable energy technologies.

PART III: RECOMMENDED BASE BUDGET

**2013 Recommended Base Budget
(In \$000s)**

(In \$000s)	2012 Approved Budget	2013 Rec'd Base	Change 2013 Recommended Base vs. 2012 Appvd. Budget		FY Incremental Outlook	
			\$	%	2014	2015
	\$	\$	\$	%	\$	\$
GROSS EXP.	2,279.0	2,143.6	(135.4)	(5.9)%	309.6	309.0
REVENUE	2,279.0	2,218.0	(61.0)	(2.7)%	309.6	309.0
NET EXP.	0.0	(74.4)	(74.4)		0.0	0.0
Approved Positions	7.0	7.0	0.0	0.0%	1.0	1.0

2013 Recommended Base Budget

The 2013 Recommended Base Budget of \$2.144 million gross and \$(0.074) million net is \$0.074 million under the 2012 Approved Budget of \$0 net. No base budget reductions 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.
- Approval of the 2013 Recommended Base Budget will result in no changes to the Toronto Atmospheric Fund's approved staff complement as highlighted in the table below:

**2013 Recommended Staff Complement
Base Budget Summary**

Changes	Staff Complement
2012 Approved Complement - 2012 In-year Adjustments	7.0
2012 Approved Staff Complement 2013 Recommended Staff Complement Changes - 2013 Temporary Complement - Capital Project Delivery - 2013 Operating Impacts of Completed Capital Projects - 2013 Service Change Adjustments	7.0
Total 2013 Recommended Complement	7.0

2014 and 2015 Outlook (In \$000s)

Description	2014 - Incremental Increase					2015 - Incremental Increase					Total Gross % Change from 2013
	Gross Expense	Revenue	Net Expense	% Gross Change from 2013	# Positions	Gross Expense	Revenue	Net Expense	% Gross Change from 2014	# Positions	
Known Impacts											
Salary & Benefit Increases	47.8		47.8	2.2%		57.8		57.8	2.3%		4.8%
Annualization of the position: Manager Revenue Diversification	30.8		30.8								1.4%
Sub-Total Known Impacts	78.6		78.6	3.5%		57.8		57.8	2.3%		6.1%
Anticipated Impacts											
Professional Services (to be approved by TAF Board)	8.0		8.0	0.4%							0.4%
Program Delivery and Grants/Loans to be approved	123.8		123.8	5.6%		146.0		146.0	5.8%		12.2%
Projected revenue Stream from Implemented Projects		150.0	(150.0)	(6.8)%							(6.8)%
Expected contribution from TAF Endowment Fund							41.0	(41.0)	(1.6)%		(1.8)%
Forecasted investment Income, Interest, Realized Gains and Losses and Fundraising Initiatives		159.6	(159.6)	(7.2)%			268.0	(268.0)	(10.6)%		(19.3)%
Projected 2014 and 2015 Position Increases	99.2		99.2	4.5%	1.0	105.2		105.2	4.2%	1.0	9.2%
Sub-Total - Anticipated Additional Impacts	231.0	309.6	(78.6)	(3.5)%	1.0	251.2	309.0	(57.8)	(2.3)%	1.0	(6.1)%
Total Incremental Impacts	309.6	309.6	0.0	0.0%	1.0	309.0	309.0	0.0	0.0%	1.0	0.0%

Approval of the 2013 Recommended Base Budget for the Toronto Atmospheric Fund will result in an incremental cost of \$0.310 million gross and \$0 net in 2014 and \$0.309 million gross and \$0 net in 2015.

Future year incremental costs are primarily attributable to the following:

Known Impacts

- For 2014, the incremental gross expenditures are projected to be \$0.079 million. This includes:
 - Salary and benefit increases including progression pay at \$0.026 million or 4.0% and cost of living adjustments at \$0.013 million or 2.0%. The fringe benefit percentage is expected to remain at 24.0%, increasing by \$0.009 million based on increased 2014 salary costs. Salaries and benefits will also be increased by \$0.031 million for the annualization of the Manager, Revenue Diversification position recommended with part year funding in 2013.
- For 2015, the incremental expenditures are projected to be \$0.058 million. This includes:
 - Salary and benefit increases are for progression pay at \$0.030 million or 4.0% and cost of living adjustments at \$0.016 million or 2.0%. The associated fringe benefit percentage is expected to remain at 24.0%, increasing by \$0.011.

Anticipated Impacts

- For 2014, the incremental expenditures are projected to be \$0.231 million. This includes:
 - Professional services (i.e. advertising firms, audit services, etc.) which are projected to increase by \$0.008 million.
 - An additional \$0.124 million in grants and loans provided to develop and deliver innovative environment and energy efficiency programs to various external organizations.

- An anticipated increase of 1.0 permanent position to assist in the environment and energy efficiency programs. The additional position will cost \$0.099 million and have no net impact on the budget.
- Incremental revenues are projected to be \$0.310 million. This includes an increase in investment income of \$0.160 million and savings accumulated (\$0.150 million) through fundraising initiatives and expected savings from implemented energy projects.
- For 2015, the incremental expenditures are projected to be \$0.258 million. This includes:
 - An additional \$0.146 million in grants and funding will be provided by TAF to external organizations in the effort to develop more environment and energy projects.
 - TAF projects increasing the staff complement by 1.0 permanent position to enhance the delivery of environment and energy related projects costing \$0.099 million gross, \$0 net. In addition, the salary and benefit increases for the 2014 position will be \$0.006 million.
 - Incremental revenues are projected to be \$0.309 million. This includes a projected \$0.041 million drawn from the endowment fund for TAF related projects and \$0.268 million from investment income.

PART IV: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS

2013 Recommended New/Enhanced Service Priority Actions
(In \$000s)

Description	2013 Recommended			Net Incremental Impact			
	Gross Expense	Net Expenditures	New Positions	2014		2015	
				Net Expenditures	# Positions	Net Expenditures	# Positions
New Service Priority Actions							
Manager, Revenue Diversification	74.4	74.4	1.0	30.8	0.0	6.3	
Total New / Enhanced Service Priorities	74.4	74.4	1.0	30.8	0.0	6.3	

2013 Recommended New / Enhanced Service Priority Actions

New Service Priorities

Manager, Revenue Diversification

- The Toronto Atmospheric Fund will create 1.0 new position that will assist with obtaining additional external funding through a variety of fundraising initiatives and corporate relations work. The position will further enhance TAF's ability to attract external partners and magnify its positive impact on energy efficiency, renewable energy, and greenhouse gas emissions reduction in the City of Toronto. The position is expected to be effective April 1, 2013, requiring \$0.074 million in 2013 and is anticipated to fundraise an additional \$0.200 million in revenue to support current and new TAF projects through research, proposal development and donor stewardship.
 - In 2014, the incremental impacts of this position include three months of salary (\$0.025 million), progression pay (\$0.003 million), cost of living adjustment (\$0.002 million) and a \$0.001 million increase in benefits. The position is expected to fundraise an approximate \$0.150 million in additional revenue which will be used to support ongoing TAF initiatives.
 - In 2015, the incremental impacts of this position include progression pay (\$0.003 million), cost of living adjustment (\$0.002 million) and a \$0.001 million increase in benefits.
- Currently the Toronto Atmospheric Fund relies on fundraising campaigns as a supplementary funding source for the provision of services. In 2010, the Toronto Atmospheric Fund increased their staffing complement by a Program Manager position to support fundraising and program development.

Part V: ISSUES FOR DISCUSSION

2013 Issues**Core Service Review and Efficiency Study Implementation***Environment and Energy Efficiency Functions Report*

- At its Special Meeting on September 26 and 27, 2011, City Council approved the report "Core Service Review – Final Report to Executive Committee" from the City Manager. 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 are required to meet regulatory environmental reporting requirements; support the City's interests; or have the greatest return on investment.
 - At its meeting on November 19, 2012, Executive Committee adopted the report entitled "Environment and Energy Efficiency Functions" from the City Manager with amendments. The report recommended that the authority to manage the investment of endowment funds be transferred to the City's Deputy City Manager & Chief Financial Officer and that the Toronto Atmospheric Fund program capacity be enhanced by rescinding Council policies that divert required TAF funds to be allocated to City properties and the GTA Clean Air Council.
 - In addition the report amends the investment framework for TAF funds; increasing direct private loans/investments to a maximum of 60%, decreasing private pooled equity to a maximum of 5%, reducing the fixed income minimum to 20%, and reducing the maximum equity holdings to 35%. The financial impact of the report will result in the Toronto Atmospheric Fund obtaining a net annual savings of approximately \$0.240 million which will be made available to enhance TAF's programs.
 - The report was adopted with the amendment that permits TAF to retain a reduced portion of its marketable securities in equity investments and increase the portion of funds available for mandate related direct investments.

Appendix 1

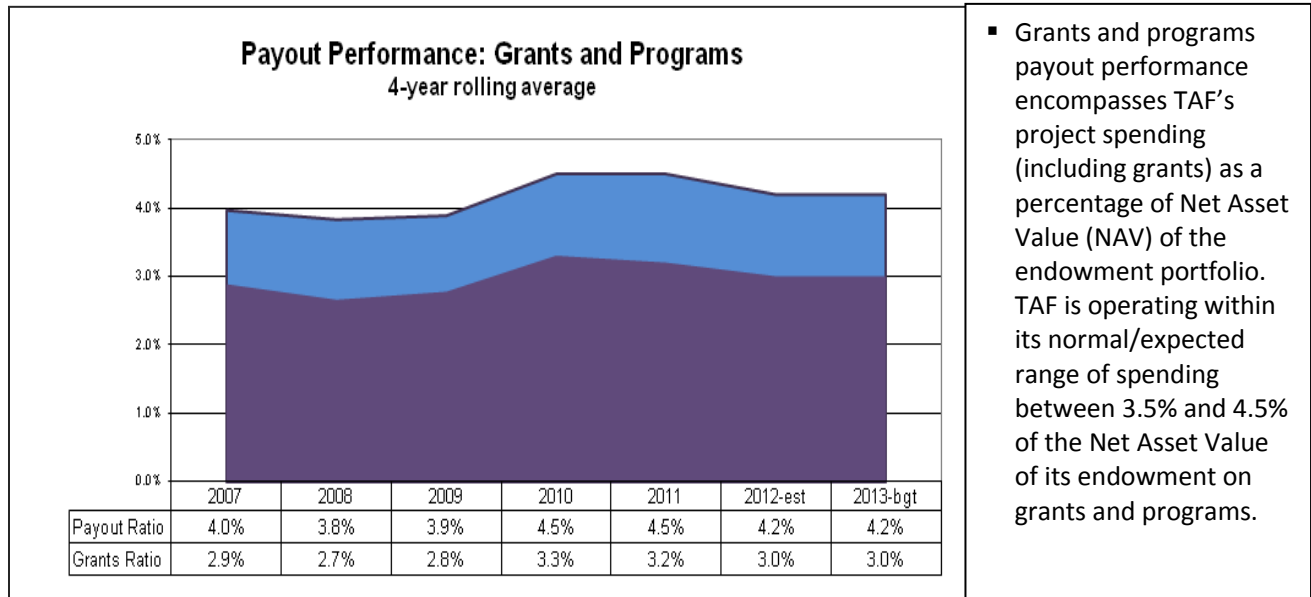
2012 Performance

2012 Key Accomplishments

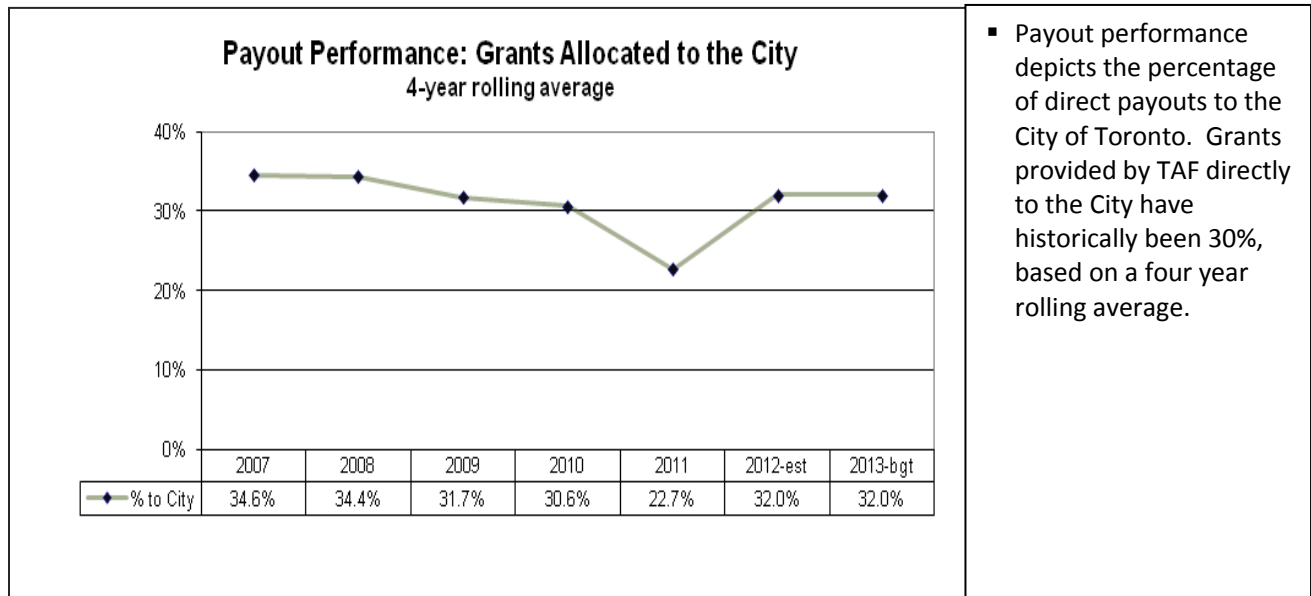
In 2012, the Toronto Atmospheric Fund achieved the following results:

- ✓ Undertook a comprehensive study to identify and evaluate a wide range of mandate-focused revenue opportunities. Under the supervision of the Chair of TAF's Board of Directors and a Board-appointed ad hoc committee of professionals, TAF screened fourteen (14) income diversification options including fundraising and venture developments.
- ✓ Provided financing for energy efficiency projects associated with the high-rise residential market. In addition, the TowerWise Energy Efficiency Advisory Council attracted representatives from various market sectors to raise, discuss and act on key issues and opportunities in the high-rise residential market.
- ✓ Provided a \$0.065 million grant to develop a pilot project for electric vehicle charging stations. In addition, an estimated seventy (70) electric vehicles were purchased by third party partners and are used in EV300 partner fleets where data is being collected to develop business and environmental cases for electric vehicles.
- ✓ Initiated a feasibility study to review freight consolidation in the health care sector. The study aims at determining the economic and environmental impacts of the movement of goods within hospitals and will assist in the development of recommendations that reduce emissions.
- ✓ Convened the GeoCity (geothermal) initiative, in partnership with Toronto Region Conservation Authority, Ryerson University, and Hydro One which addressed emissions associated with space heating and cooling.
- ✓ Published fifteen (15) individual case studies of large solar thermal and photovoltaic projects in Toronto, most located on City of Toronto facilities. TAF also signed an agreement to transfer management of SolarCity Partnership to the Toronto and Region Conservation Authority.
- ✓ Signed a memorandum of understanding to transfer the management of LightSavers to Canadian Urban Institute to enable the delivery of the program nationally. This is consistent with TAF's incubation mandate where projects are transferred to external organizations for scaling up.
- ✓ Established a program to engage the various authorities in examining options for funding public transit in the Greater Toronto Area (GTA). This was supported through a \$0.100 million grant which will be used to generate public engagement in key policy discussions in 2012 and 2013.

2012 Performance



- Grants and programs payout performance encompasses TAF's project spending (including grants) as a percentage of Net Asset Value (NAV) of the endowment portfolio. 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.



- Payout performance depicts the percentage of direct payouts to the City of Toronto. Grants provided by TAF directly to the City have historically been 30%, based on a four year rolling average.

2012 Budget Variance Analysis

2012 Budget Variance Review (In \$000s)

(In \$000s)	2010 Actuals	2011 Actuals	2012 Approved Budget	2012 Projected Actuals*	2012 Approved Budget vs Projected Actual Variance	
	\$	\$	\$	\$	\$	%
Gross Expenditures	2462.0	2236.2	2279.0	2279.0	0.0	0.0%
Revenues	2462.0	2236.2	2279.0	2279.0	0.0	0.0%
Net Expenditures	0.0	0.0	0.0	0.0	0.0	0.0%
Approved Positions	7.0	7.0	7.0	6.6	(0.4)	(5.7)%

* Based on the 3rd Quarter Operating Budget Variance Report.

2012 Experience

- The Third Quarter Variance report for the Toronto Atmospheric Fund projects that the Program will be on target with the 2012 Approved Operating Budget of \$2.279 million net by year-end.
- There is no variance projected for the Toronto Atmospheric Fund.

Impact of 2012 Operating Variance on the 2013 Recommended Budget

- There is no impact of the 2012 Operating Variance on the 2013 Recommended Budget.

Appendix 2

2013 Recommended Operating Budget by Expenditure Category and Key Cost Driver

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

Category of Expense	2010 Actual	2011 Actual	2012 Budget	2012 Projected Actual	2013 Recommended Budget	2013 Change from 2012 Approved Budget		2014 Outlook	2015 Outlook
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	695.0	713.2	755.0	755.0	876.2	121.2	16.1%	1,054.0	1,217.0
Materials and Supplies	79.0	89.0	109.0	18.0	19.6	(89.4)	(82.0)%	19.6	19.6
Equipment									
Services & Rents	36.0	43.0	54.0	163.0	167.0	113.0	209.3%	175.0	175.0
Contributions to Capital	230.0								
Contributions to Reserve/Res Funds									
Other Expenditures	1,422.0	1,391.0	1,361.0	1,343.0	1,155.2	(205.8)	(15.1)%	1,279.0	1,425.0
Interdivisional Charges									
TOTAL GROSS EXPENDITURES	2,462.0	2,236.2	2,279.0	2,279.0	2,218.0	(61.0)	(2.7)%	2,527.6	2,836.6
Interdivisional Recoveries									
Provincial Subsidies									
Federal Subsidies									
Other Subsidies	315.0	500.0	500.0	500.0	700.0	200.0	40.0%	850.0	850.0
User Fees & Donations									
Transfers from Capital Fund		233.9	233.7			(233.7)	(100.0)%		
Contribution from Reserve Funds									41.0
Contribution from Reserve									
Sundry Revenues	2,147.0	1,502.3	1,545.3	1,779.0	1,518.0	(27.3)	(1.8)%	1,677.6	1,945.6
TOTAL REVENUE	2,462.0	2,236.2	2,279.0	2,279.0	2,218.0	(61.0)	(2.7)%	2,527.6	2,836.6
TOTAL NET EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0
APPROVED POSITIONS	7.0	7.0	7.0	6.6	8.0	1.0	14.3%	1.0	1.0

2013 Key Cost Drivers

Other Expenditures is the largest expenditure category and accounts for 52.0% of the total expenditures, followed by Salaries and Benefits at 39.5% and Services and Rents at 7.5%.

- The 2013 Recommended Budget for other expenditures of \$1.155 million, which is the amount in programs and grants allocated for TAF initiatives, is \$0.206 million or 15.1% lower than the 2012 Approved Operating Budget.
 - The completion of major energy projects in 2012, including but not limited to GeoCities and LightSavers have reduced the amount in grants and subsidies provided in 2013.
- The 2013 Recommended Budget for salaries and benefits of \$0.876 million is \$0.121 million or 16.1% higher than the 2012 Approved Operating Budget.
 - This increase is partially attributable to progression pay (\$0.024 million), cost of living adjustments (\$0.012 million) and maintaining the 2012 fringe benefit ratio of 24% of salary costs (\$0.010 million).

- In addition, the Toronto Atmospheric Fund will be increasing their staff complement by 1.0 position, the Manager of Revenue Diversification. The increase in staffing complement will increase salaries and benefit expenditures by \$0.074 million.
- The 2013 Recommended Budget for services and rents of \$0.167 million is \$0.113 million or 209% higher than the 2012 Approved Operating Budget.
 - This increase is mainly attributable to the realignment of the budget to actual experience and an increase in partnership activities.
- The 2013 Recommended Budget for materials and supplies of \$0.020 million is \$0.089 million or 82.0% lower than the 2012 Approved Operating Budget.
 - This decrease is mainly attributable to the realignment of the budget to actual expenditures of office supplies.
- The Toronto Atmospheric Fund will receive an estimated \$1.518 million or 68.4% of the Program's gross operating budget from investment income obtained from the Endowment Fund.
- The remaining \$0.700 million or 31.6% of the Program's operating costs are funded through fundraising and donations provided directly to the Toronto Atmospheric Fund.
 - The recommended new position (Manager, Revenue Diversification) is expected to increase fundraising initiatives by \$0.200 million or 40.0% in 2013.
- The 2013 Recommended Budget for the Toronto Atmospheric Fund includes 8.0 permanent full time equivalent positions, reflecting an increase of 1.0 from the 2012 approved staff complement.

The 2013 Recommended Base Budget provides funding for the following:

Economic Factors

- Progression pay and cost of living adjustments total \$0.047 million.

Other Base Changes

- In accordance with past audit reports, the budget for office supplies was adjusted to \$0.020 million and the amount for professional services was adjusted to \$0.167 million.
- TAF decreased the amount of funding to develop and deliver local environment and energy efficiency projects by \$0.206 million.

Revenue Changes

- The continuation of fundraising initiatives in addition to donations received will increase revenue in the amount of \$0.200 million.
- TAF will receive \$0.027 million less from investment income from the Endowment Fund.