



City Budget 2013

City Council 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.	19,385.1	19,385.1	19,614.3	147.4	19,761.7	376.6	1.9%	111.1	143.9
REVENUE		106.0	30.0	0.0	30.0	30.0	0.0%	(30.0)	
NET EXP.	19,385.1	19,279.1	19,584.3	147.4	19,731.7	346.6	1.8%	141.1	143.9
Approved Positions	176.0	176.0	176.0	0.0	176.0	0.0	0.0%		

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

1. City Council approve the 2013 Recommended Operating Budget for City Council of \$19.762 million gross and \$19.732 million net, comprised of the following services:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Councillors' Salaries and Benefits Budget	5,709.6	5,709.6
Councillors' Staff Salaries and Benefits Budget	11,878.3	11,878.3
Councillors' Constituency Services & Office Expenses Budget	1,346.4	1,346.4
Councillors' Business Travel Expenses Budget	60.0	60.0
Council General Expenses Budget	767.4	737.4
Total Program Budget	<u>19,761.7</u>	<u>19,731.7</u>

2. The City Council staff complement of 176 positions be approved.

PART III: RECOMMENDED BASE BUDGET

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

(In \$000s)	2012 Approved Budget	2013 Rec'd Base	Change		FY Incremental Outlook	
			2013 Recommended Base vs. 2012 Appvd. Budget		2014	2015
			\$	%	\$	\$
GROSS EXP.	19,385.1	19,614.3	229.2	1.2%	84.2	116.5
REVENUE		30.0	30.0	0.0%	(30.0)	
NET EXP.	19,385.1	19,584.3	199.2	1.0%	114.2	116.5
Approved Positions	176.0	176.0	0.0	0.0%		

2013 Recommended Base Budget

The 2013 Recommended Base Budget of \$19.614 million gross and \$19.584 million net is \$0.199 million net or 1.0% over the 2012 Approved Budget of \$19.385 million. The 2013 Recommended Base Budget provides \$0.236 million net in funding for base budget increases, representing an increase of 1.2% over the 2012 Approved Budget, offset by \$0.037 million net in recommended service budget reductions bringing the City Council base budget to \$0.199 million net or 1% over the 2012 Approved Budget.

- The recommended budget includes service efficiency changes of \$0.037 million net in the Council General Expenses Budget.
- Approval of the 2013 Recommended Base Budget will result in City Council's total staffing complement remaining at 176 as highlighted in the table below:

**2013 Recommended Staff Complement
Base Budget Summary**

Changes	Staff Complement
2012 Approved Complement - 2012 In-year Adjustments	176.0
2012 Approved Staff Complement	176.0
2013 Recommended Staff Complement Changes - 2013 Temporary Complement - Capital Project Delivery - 2013 Operating Impacts of completed Capital projects - 2013 Service Change Adjustments	
Total 2013 Recommended Complement	176.0

**2013 Recommended Service Change Summary
(In \$000s)**

Description	2013 Recommended Service Changes				Net Incremental Impact			
	Position Changes	Gross Expense	Net Expense	% Change over 2012 Budget	2014		2015	
					Net Expenditure	Position Change	Net Expenditure	Position Change
Service Efficiencies								
Budget Reduction in Councillor's General Budget		(36.7)	(36.7)	(0.2%)				
Sub-Total Service Efficiencies		(36.7)	(36.7)	(0.2%)				
Total Service Changes		(36.7)	(36.7)	(0.2%)				

2013 Recommended Service Changes

The 2013 recommended service changes consist of service efficiency reductions of \$0.037 million, representing a decrease of 0.2% from the 2012 Approved Budget, which partially offsets the City Council incremental base budget pressures of \$0.236 million or a 1.2% increase, bringing the 2013 Recommended Base Budget to \$0.199 million net or 1% over the 2012 Approved Budget of \$19.385 million.

Service Efficiencies: (\$0.037 million gross, savings of \$0.037 million net)

Budget Reduction in Council General Expenses Budget

- Based on a detailed review of actual spending, non-salary expenses were adjusted resulting in savings of \$0.037 million.

2014 and 2015 Outlook

(In \$000s)

Description	2014 - Incremental Increase					2015 - Incremental Increase					Total Net % Change from 2013
	Gross Expense	Revenue	Net Expense	% Net Change from 2013	# Positions	Gross Expense	Revenue	Net Expense	% Net Change from 2014	# Positions	
Known Impacts											
Consumer Price Index Adjustment to Councillor's Salaries (budgeted at 2%)	114.2		114.2	0.6%		116.5		116.5	0.6%		1.2%
Reversal of 2013 Furniture Requirements and Contributions from Reserves	(30.0)	(30.0)	0.0	0.0%							
Sub-Total Known Impacts	84.2	(30.0)	114.2	0.6%		116.5		116.5	0.6%		1.2%
Anticipated Impacts											
Sub-Total - Anticipated Additional Impacts											
Total Incremental Impacts	84.2		114.2	0.6%		116.5		116.5	0.6%		1.3%

Approval of the 2013 Recommended Base Budget for City Council will result in a 2014 incremental cost increase of \$0.114 million net and a 2015 incremental cost increase of \$0.117 million net to maintain 2013 service levels.

Future year incremental costs are primarily attributable to the following:

Known Impacts

- Budgetary provisions of 2% for Consumer Price Index (CPI) adjustment for Councillors' salaries totaling \$0.114 million and \$0.117 million, respectively in 2014 and 2015.
- Reversal of a one time expenditure of \$0.020 million for furniture requirements and \$0.010 million for inter-divisional charges from the Facilities Management Division relating to 2013 Furniture Requirements. These furniture requirements are funded from the Council Furniture and Equipment Reserves, resulting in a zero net impact in 2014.
- The 2014 Council transition requirements related to the 2014 Municipal Elections, that are to be funded from the Council Transition Reserves, are yet to be determined and have not been included in the 2014 Outlook.

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
Enhanced Service Priorities							
Consumer Price Index Increase for the Constituency Services and Office Budgets	26.4	26.4		26.9		27.5	
Sub-Total - Enhanced Service Priorities	26.4	26.4					
New Service Priority Actions							
Electronic Equipment Roaming Plans and Charges	10.0	10.0					
Newsletter Distribution Entitlement	111.0	111.0					
Sub-Total New Service Priorities	121.0	121.0					
Total New / Enhanced Service Priorities	147.4	147.4					

2013 Recommended New / Enhanced Service Priority Actions

- At its meeting of July 11, 12, and 13, 2012, City Council adopted the report entitled 'Policy Changes to Facilitate Councillor Office Operations'. The Policy changes approved have resulted in the following increases to the 2013 Recommended City Council Operating Budget.

Enhanced Service Priorities

CPI Increase to Constituency Services and Office Budget

- City Council approved that the Constituency Services and Office Budgets be increased equivalent to the Consumer Price Index (CPI). It is anticipated that a 2% budgetary CPI increase or \$0.026 million will be required in 2013 with incremental increases of \$0.027 million in 2014 and \$0.027 million 2015.

New Service Priorities

Electronic Equipment Roaming Plans and Charges

- City Council approved that expenses related to electronic equipment be charged to the Council General Expenses Budget including any roaming charges and plans, thus increasing the City Council budget by \$0.010 million.

Newsletter and Flyers Distribution

- City Council approved that each Councillor is entitled to the equivalent cost of postage or the delivery of one newsletter to all households within their ward, based on the 2006 census information, and at a rate not to exceed the current Canada Post standard mail rate, paid for from the Council General Expenses Budget. This approval has an overall impact of \$0.111 million in 2013.

PART V: ISSUES FOR DISCUSSION

Issues Referred to the 2013 Operating Budget Process*Policy Changes to Facilitate Councillor Office Operations*

- At its meeting of July 11, 12, and 13, 2012, City Council adopted the report entitled 'Policy Changes to Facilitate Councillor Office Operations', including the directive that there be a provision for a constituency office either within a civic Centre or the Councillor's respective Ward, and that this be funded from the Council General Expenses Budget. It further directed staff to develop the appropriate parameters for these spaces.
- City Council considered a report 'Parameters for Councillor Constituency Offices' at its meeting of October 30, 31 and November 1, 2012 and adopted the parameters as outlined in the appendix and referred Recommendation 2 to the 2013 Budget process.
 - Recommendation 2 stated that 'City Council direct the City Clerk to adjust the City Council 2013 operating budget submission to include funding required to provide Councillor constituency offices to be considered as part of the 2013 operating budget.'
- It is estimated that the 2013 impact of the provision of office space as described in the Policy would cost an additional \$0.650 million. The 2013 Recommended Operating Budget for City Council does not include the additional funding, pending consideration of the referral.

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	22,891.9	18,020.2	19,385.1	19,385.1		
Revenues	770.4	69.6		106.0	106.0	0.0
Net Expenditures	22,121.5	17,950.6	19,385.1	19,279.1	(106.0)	(0.5)
Approved Positions	176.0	176.0	176.0	176.0		

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

2012 Experience

- The third quarter variance indicates that City Council will be \$0.106 million or 0.5% below the 2012 Approved Operating Budget of \$19.385 million by year-end.
- The projected favourable year-end variance is due to unplanned donations received for Council member-organized community events and reimbursement for various expenditures.

Impact of 2012 Operating Variance on the 2013 Recommended Budget

- There is no impact of the 2012 Operating Variance on the 2013 Recommended Operating 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	20,668.0	16,492.0	17,639.9	17,639.9	17,875.7	235.8	1.3%	17,989.9	18,106.4
Materials and Supplies	139.8	94.4	1,173.1	1,173.1	1,199.5	26.4	2.3%	1,226.4	1,253.9
Equipment	22.5	52.4	8.0	8.0	37.0	29.0	362.5%	17.0	17.0
Services & Rents	1,316.5	806.7	301.2	301.2	376.5	75.3	25.0%	376.5	376.5
Contributions to Capital									
Contributions to Reserve/Res Funds	294.6	302.5	91.6	91.6	91.6	0.0	0.0%	91.6	91.6
Other Expenditures	51.0	21.7							
Interdivisional Charges	399.6	250.4	171.3	171.3	181.3	10.0	5.8%	171.3	171.3
TOTAL GROSS EXPENDITURES	22,891.9	18,020.2	19,385.1	19,385.1	19,761.7	376.6	1.9%	19,872.8	20,016.7
Interdivisional Recoveries									
Provincial Subsidies									
Federal Subsidies									
Other Subsidies									
User Fees & Donations		1.0							
Transfers from Capital Fund									
Contribution from Reserve Funds	700.0				30.0	30.0	0.0%		
Contribution from Reserve	70.4	68.6		106.0					
Sundry Revenues									
TOTAL REVENUE	770.4	69.6		106.0	30.0	30.0	0.0%		
TOTAL NET EXPENDITURES	22,121.5	17,950.7	19,385.1	19,279.1	19,731.7	346.6	1.8%	19,872.8	20,016.7
APPROVED POSITIONS	176.0	176.0	176.0	176.0	176.0	0.0	0.0%	176.0	176.0

2013 Key Cost Drivers

Salaries and Benefits are the largest expenditure category and account for 90.5% of the total expenditures, followed by materials and supplies at 6.1%, services and rents at 1.9%, inter-divisional charges at 0.9%, contributions to reserves at 0.5% and equipment at 0.2%.

- The 2013 recommended budget for salaries and benefits is \$17.876 million, reflecting an increase of \$0.236 million or 1.3% compared to the 2012 approved budget of \$17.640 million.
 - This is mainly attributable to Councillors salary to budget actual adjustments of \$0.055 million and a budgetary provision of 2% for Consumer Price Index increase for Councillors' salaries of \$0.112 million and the reversal of one-time gapping on Councillors' staff salaries of \$0.069 million.

- The 2013 recommended budget for materials and supplies of \$1.199 million is \$0.026 million or 2.3% higher than the 2012 approved budget.
 - This is primarily due to the budgetary provision of 2% for CPI Increase of \$0.026 million to the Councillors' Constituency Services and Office Expense Budget.
- The 2013 recommended budget for services and rents of \$0.377 million is \$0.075 million or 25% higher than the 2012 Approved Operating Budget.
 - This is mainly attributable to \$0.010 million approved by Council for electronic equipment roaming plans and charges, \$0.111 million for the distribution of Councillor newsletters and a reduction of \$0.037 million to the Council General Expenses Budget.
- The 2013 recommended budget for inter-divisional charges of \$0.181 million is \$0.010 million or 5.8% higher than the 2012 budget.
 - This is primarily due to the inter-divisional charges to the Facilities Management Division in relation to 2013 furniture requirements in the amount of \$0.010 million.
- The 2013 recommended budget for one time equipment purchases of \$0.037 million is \$0.029 million higher than the 2012 approved budget.
 - This is primarily related to 2013 furniture requirements.
- Approval of the 2013 Recommended Operating Budget for City Council reflects the total staff complement of 176.

The 2013 Recommended Base Budget provides funding for the following:

Prior Year Impacts

- The reversal of gapping on Councillors' staff salary budgets of \$0.069 million.

Economic Factors

- The budgetary provision of 2% for Consumer Price Index (CPI) adjustment on Councillors' salary budget of \$0.112 million.

Other Base Changes

- A 2013 requirement for furniture purchases of \$0.020 million gross, zero net has been added. The budget will be used to maintain the state of good repair and replacement of furniture and offices of Members of Council at City Hall, or constituency offices at civic centres or other properties. The funding will come from the Council Furniture and Equipment Reserve.
- An increase of \$0.055 million to align the budgeted actual expenditures for Councilors' salaries and benefits. In 2012, the CPI was 3% rather than the 2% as budgeted. The 2012 Recommended Base Budget increases salaries to actual requirements.
- Inter-divisional Charges of \$0.010 million gross, zero net, in order to facilitate the maintenance of the offices and replacement of furniture by the Facilities Management Division.

Appendix 3

Summary of 2013 Recommended Service Changes



2013 Operating Budget - Recommended Service Change Summary of Administrative Review

TYPE	PRIORITY	OTHER CITY PROGRAMS City Council	Recommended Adjustments				2014 Net Incremental Outlook (\$000s)	2015 Net Incremental Outlook (\$000s)
			Change in Gross Expenditure (\$000s)	Change in Revenue (\$000s)	Net Change (\$000s)	Change in Approved Positions		
2013 Recommended Base Budget Before Service Change:			19,651.0	30.0	19,621.0	176.0	114.2	116.5
Z1	7	Budget Reduction in Council General Budget	(36.7)	0.0	(36.7)	0.0	0.0	0.0
<small>(CN-Z01)</small> Service / Activity: Council General Expenses / N/A Description: Based on a detailed review of actual spending, non-salary expenses were reduced resulting in savings of \$0.037 million. Service Level Change: ADMIN: Recommended			(36.7)	0.0	(36.7)	0.0	0.0	0.0
Total Recommended Service Level Reductions:			(36.7)	0.0	(36.7)	0.0	0.0	0.0
Total Recommended Base Budget:			19,614.3	30.0	19,584.3	176.0	114.2	116.5

Category Legend - Type

- Z1 - Efficiency Change
- Z2 - Revenue Change
- Z3 - Service Change

Appendix 4
Summary of 2013 Recommended New
/Enhanced Service Priority Actions



2013 Operating Budget - Recommended New and Enhanced Services Summary of Administrative Review

TYPE	PRIORITY	OTHER CITY PROGRAMS City Council	Recommended Adjustments				2014 Net Incremental Outlook (\$000s)	2015 Net Incremental Outlook (\$000s)
			Change in Gross Expenditure (\$000s)	Change in Revenue (\$000s)	Net Change (\$000s)	Change in Approved Positions		
N2	1	Consumer Price Index (CPI) Increase to Constituency Services and Office Budget Service / Activity: Councillors' Constituency Services & Office Budget / N/A Description: City Council approved that the Constituency Services and Office Budget be increased equivalent to the Consumer Price Index (CPI), budgeted at 2%, resulting in an increase of \$0.026 million with incremental increases of \$0.027 million in 2014 and 2015, respectively. Service Level Change: ADMIN: Recommended	26.4	0.0	26.4	0.0	26.9	27.5
N4	1	Roaming Plan and Charges Service / Activity: Council General Expenses / N/A Description: City Council approved that expenses related to electronic equipment be charged to the Council General Expenses Budget including any roaming charges and plans, resulting in an increase of \$0.010 million. Service Level Change: ADMIN: Recommended	10.0	0.0	10.0	0.0	0.0	0.0
N4	1	Newsletter Distribution Service / Activity: Council General Expenses / N/A Description: City Council approved that each Councillor is entitled to the equivalent cost of postage or the delivery of one newsletter to all households within their ward resulting in an increase of \$0.111 million. Service Level Change: ADMIN: Recommended	111.0	0.0	111.0	0.0	0.0	0.0

Category Legend - Type

- N1 - Enhanced Services - Operating Impact of 2013 Capital
- N2 - Enhanced Services - Service Expansion
- N3 - New Service - Operating Impact of 2013 Capital
- N4 - New Services
- N5 - New Revenues
- N6 - New User Fee Revenue



2013 Operating Budget - Recommended New and Enhanced Services Summary of Administrative Review

TYPE	PRIORITY	OTHER CITY PROGRAMS City Council	Recommended Adjustments				2014 Net Incremental Outlook (\$000s)	2015 Net Incremental Outlook (\$000s)
			Change in Gross Expenditure (\$000s)	Change in Revenue (\$000s)	Net Change (\$000s)	Change in Approved Positions		
Total Recommended New/Enhanced:			147.4	0.0	147.4	0.0	26.9	27.5

Category Legend - Type

- N1 - Enhanced Services - Operating Impact of 2013 Capital
- N2 - Enhanced Services - Service Expansion
- N3 - New Service - Operating Impact of 2013 Capital
- N4 - New Services
- N5 - New Revenues
- N6 - New User Fee Revenue

Appendix 5

Inflows/Outflows to/from Reserves & Reserve Funds

Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of December 31, 2012 *	Proposed Withdrawals (-) / Contributions (+)		
			2013	2014	2015
		\$	\$	\$	\$
Insurance Reserve Fund	XR1010	21,258.9	91.6	91.6	91.6
Total Reserve / Reserve Fund Draws / Contributions			91.6	91.6	91.6

*Based on 3rd Quarter Variance Report

Program Specific Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Description	Projected Balance as of December 31, 2012	2013	2014	2015
			\$	\$	\$	\$
Council Furniture and Equipment Reserves	XQ0009	Projected Beginning Balance	111.0			
		Proposed Withdrawals (-) Contributions (+)		30.0		
Balance at Year-End			111.0	30.0		