



City Budget 2012

Economic Development and Culture 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.

2012–2021 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 |
| | \$ | \$ | \$ | \$ | \$ | | | \$ | \$ |
| GROSS EXP. | 36,699.6 | 36,599.5 | 33,436.0 | | 33,436.0 | (3,263.6) | (8.9) | 281.6 | |
| REVENUE | 10,668.5 | 10,768.4 | 9,465.1 | | 9,465.1 | (1,203.4) | (11.3) | - | |
| NET EXP. | 26,031.1 | 25,831.1 | 23,970.9 | | 23,970.9 | (2,060.2) | (7.9) | 281.6 | - |
| Approved Positions | 284.8 | 284.8 | 275.8 | | 275.8 | (9.0) | (3.2) | | |

| Target Comparison | 10% Reduction Target | 2012 Rec.'d Reduction | 2012 10% Reduction vs. 2012 Rec'd Reduction | Target % |
|-------------------|----------------------|-----------------------|---|----------|
| 2012 Reductions | (2,592.3) | (2,806.2) | 213.9 | 10.8% |

Recommendations

The City Manager and Chief Financial Officer recommend that:

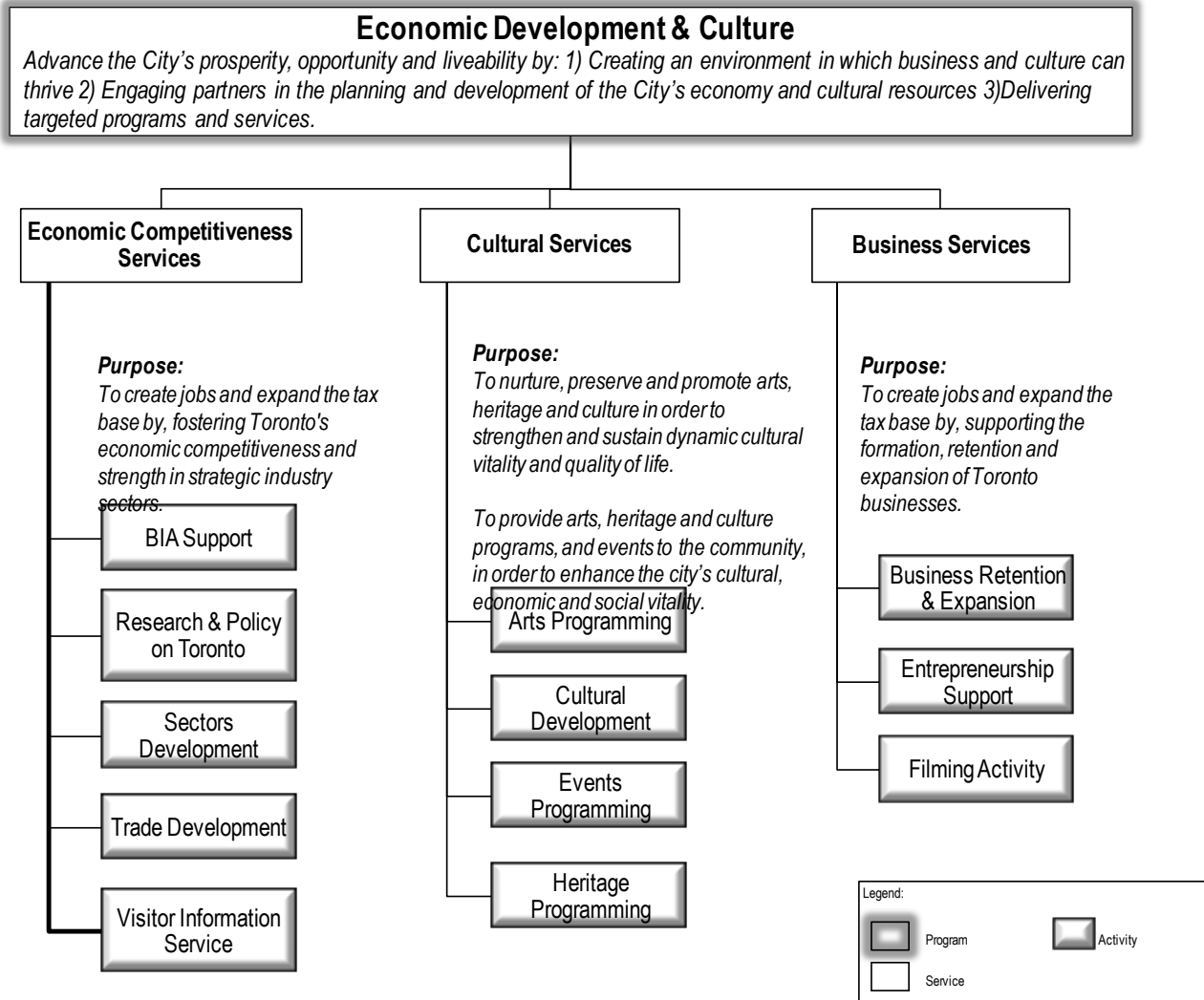
1. City Council approve the 2012 Recommended Operating Budget for Economic Development And Culture of \$33.436 million gross and \$23.971 million net, comprised of the following services:

| <u>Service(s):</u> | <u>Gross</u> <u>(\$000s)</u> | <u>Net</u> <u>(\$000s)</u> |
|------------------------------------|---------------------------------|-------------------------------|
| Cultural Services | 19,254.3 | 14,098.8 |
| Strategic Growth & Sector Services | 3,942.0 | 3,314.5 |
| Business Services | 5,025.1 | 3,200.0 |
| Program Support | 3,949.2 | 2,349.2 |
| Film Services | 1,265.4 | 1,008.4 |
| Total Program Budget | 33,436.0 | 23,970.9 |

2. The General Manger of Economic Development and Culture report to Budget Committee in the second quarter, 2012 on the specific details of the services efficiencies and alternative delivery measures to be implemented to realize the recommended savings.

PART II: 2012 SERVICE OVERVIEW AND PLAN

Program Map and Service Profiles



Service Customer

Economic Competitiveness Services

- Business and Labour Organizations
- Sectors
- Business Improvement Areas
- Canadian, International and Toronto Businesses
- Residents
- Visitors
- Academia
- Mayor's Office and members of Council
- City Manager's Office & Divisions, Agencies
- Other Orders of Government and municipalities

Cultural Services

- Local and international businesses and events
- Not-for-profit groups
- Residents
- Visitors
- Arts and cultural organizations

Business Services

- Business groups and associations (Business Improvement Areas, film producers, foreign studios/independent production houses, incubators, local real estate & business investors)
- Business owners and entrepreneurs (small-mid size, film & TV)
- Film festivals
- Industry associations (Union and guild members, hospitality)
- Not-for-profit organizations
- Other orders of government

2012 Recommended Service Levels

| Service | Activity | Type | 2011 Current Service Level | 2012 Proposed Service Level Change |
|----------------------------------|--------------------------------|--|--|--|
| Business Services | Business Retention & Expansion | Advice & consultation to existing small, medium & large businesses | Meet customer response standards 100 per cent of the time | Meet customer response standards 100 per cent of the time |
| | | Advocacy/Development review | Respond to requests within 10 days 100 percent of the time | Respond to requests within 10 days 100 percent of the time |
| | | Business Incentives | Legal agreements executed within 6 months of approvals | Legal agreements executed within 6 months of approvals |
| | | Coordination & Facilitation | To provide the City's Gold Star Program for 100 percent of large scale industrial and commercial investment projects | To provide the City's Gold Star Program for 100 percent of large scale industrial and commercial investment projects |
| | Entrepreneurship Support | Advice & Consultation | Maintain 80% approval rating of ET clients surveyed | Maintain 80% approval rating of ET clients surveyed |
| | | Business Incubation Services | Provision of timely advice, facilitation and co-ordination to leverage third party delivery of incubation services | Provision of timely advice, facilitation and co-ordination to leverage third party delivery of incubation services |
| | | Networks & Partnerships | Meet annual revenue targets 100 per cent of the time | Meet annual revenue targets 100 per cent of the time |
| | | Business Registrations | Process business registrations within 24 hours 98 per cent of the time | Process business registrations within 24 hours 98 per cent of the time |
| | | Training | Produce and deliver 160 business information and training sessions | Produce and deliver 160 business information and training sessions |
| | Filming Activity | Film Permitting | Issue permit in 48 hours / 2 business days or in agreed upon time, 100% of the time | Issue permit in 48 hours / 2 business days or in agreed upon time, 100% of the time |
| | Cultural Services | Arts Programming | Art Education classes | Provision of 385 classes per year |
| Art Events (community organized) | | | Production/support of 350 events annually | Production / support of 336 events annually |
| Art Exhibits (city-organized) | | | Provision of 45 exhibits annually | Provision of 42 exhibits annually |

| Service | Activity | Type | 2011 Current Service Level | 2012 Proposed Service Level Change |
|-------------------|--------------------------------|--|---|---|
| Cultural Services | Cultural Development | Acquisition and conservation of art and artefact collections | Conservation of artifact collections to ensure state of good repair and at least 75% of City art collection made publically available | Conservation of artifact collections to ensure state of good repair and at least 75% of City art collection made publically available |
| | | Adaptive Reuse of Heritage Sites | Projects completed on time and on budget | Projects completed on time and on budget |
| | | Cultural Facilities Maintenance and Development | Maintenance and management of 61 properties to keep cultural facilities in a state of good repair and to ensure long term sustainability | Maintenance and management of 61 properties to keep cultural facilities in a state of good repair and to ensure long term sustainability |
| | | Cultural Grants Coordination | Council approved grants in 4 months | Council approved grants in 4 months |
| | | Cultural Research and Cultural Advocacy | Documents provided in a timely manner to meet expectations and aid in supporting strategic goals and objectives | Documents provided in a timely manner to meet expectations and aid in supporting strategic goals and objectives |
| | Events Programming | Public Art Selection, Location and maintenance | Average of 15 art projects in process per annum | Average of 15 art projects in process per annum |
| | | Community event coordination (3rd Party) | Provision of timely support to community groups wanting to produce an event on city property | Provision of timely support to community groups wanting to produce an event on city property |
| | Heritage Programming & Support | Design and Delivery of Events | Production of 8 signature events contributing to 66 event days, on time and on budget | Production of 6 signature events contributing to 64 events days, on time and on budget |
| | | Museum & Heritage Programs | Protection and promotion of Toronto's cultural heritage facilities and delivery of a wide range of cultural programs at the City's heritage facilities to promote understanding and engage Torontonians actively in their history | Protection and promotion of Toronto's cultural heritage facilities and delivery of a wide range of cultural programs at the City's heritage facilities to promote understanding and engage Torontonians actively in their history |

| Service | Activity | Type | 2011 Current Service Level | 2012 Proposed Service Level |
|-------------------------------|------------------------------|--|---|--|
| Economic Competitive Services | BIA Support | Legislative Oversight | Audited financial statements, annual budgets submitted, annual general meetings held within approved timeframes 99 per cent of the time | Audited financial statements, annual budgets submitted, annual general meetings held within approved timeframes 99 per cent of the time |
| | | Professional Advice and Support | Services provided in a satisfactory and timely fashion | Services will need to be reduced by an estimated 20% due to loss of staff position |
| | | Design and Construction Services | Capital projects completion rate of 75 % is maintained | Capital projects completion rate likely to be reduced to approximately 70% due to loss of staff position |
| | | Funding | 60 projects approved , administered and completed | 60 projects approved , administered and completed |
| | Research & Policy on Toronto | Citywide Economic Strategic Advice and Consultation | Meet project deadline 100% of the time | Meet project deadline 100% of the time |
| | | Research Enquiries (Internal and External) | Respond to enquiry/request within one business day 95% of the time. | Respond to enquiry/request within one business day 95% of the time |
| | | Economic Bench Marking/ "Best Practises" | Meet project deadline 100% of the time | Meet project deadline 100% of the time |
| | | Economic Overview | Meet project deadline 100% of the time | Meet project deadline 100% of the time |
| | | Intergovernmental Economic Project Support | Meet project deadline 100% of the time | Meet project deadline 100% of the time |
| | Visitor Info Services | Hospitality Excellence Program development and coordination ("We've been expecting you") | program under development; launch May 2011 | Add on-line training Train 5000 industry front line staff (direct and pass-through) Distribute 125,000 pieces of welcome collateral Reach 90 million impressions from signage/ads |
| | | Consultations with visitors/public (interactive) | 39,000 people serviced with accurate information and advice | 35,000 people serviced with accurate information and advice |
| | | Info Kiosks | program under development; 5 of 120 pillars installed | Develop 120 district maps for full program roll-out |
| | | Maps and Information Products (Print, kiosk, web) | sponsorships cover 800,000 copies | sponsorships cover 800,000 copies |
| | | Neighbourhood tour coordination (TAP into TO!) | 800 tour participants requested service and were matched with volunteers | 775 tour participants requested service and were matched with volunteers |
| Event Calendar Maintenance | Post 2300 events | Post 2300 events | | |

| Service | Activity | Type | 2011 Current Service Level | 2012 Proposed Service Level |
|-------------------------------|---------------------|---|---|--|
| Economic Competitive Services | Sectors Development | Business to Business collaboration | Respond to client within one business day 95% of the time | Respond to client within one business day 95% of the time |
| | | Economic Sectors', Advocacy and Promotion | Average 55 projects annually. Leverage \$2.5 M annually. | Average 55 projects annually. Leverage \$1.5 M annually |
| | | Economic Sectors' Support | Meet project deadline 100% of the time | Meet project deadline 100% of the time |
| | Strategic Alliances | Business Matching and Assistance | Introduce Toronto based businesses to new markets and strategic partners. 90% of the time | Add 20 new companies to the Business Opportunities Bulletin Board |
| | | City to City Alliances | Introduce Toronto based businesses to new markets and strategic partners. 90% of the time | Undertake 4 partner / friendship city Economic Development projects |
| | | Export Assistance and Facilitation | Introduce Toronto based businesses to new markets and strategic partners. 90% of the time | Provide export assistance / facilitation to 100 clients |

2012 Service Deliverables

The 2012 Recommended Operating Budget of \$33.436 million gross, \$23.971 million net contribution will provide funding to:

- ✓ Support local business retention and expansion by maintaining positive relationships with corporations and facilitating the expansion and renewal of their facilities;
- ✓ Continue to provide support for approximately 245 key sector development projects and advance strategic development and program support for green industry;
- ✓ Provide support to 72 BIAs and other small businesses which include approximately 20,000 businesses and 200,000 employees;
- ✓ Continue marketing and promotion support for film production in Toronto;
- ✓ Continue production of 108 event days for an audience of 2.5 million residents and visitors including: Winterlicious, Canada Day, Tasty Thursdays, Fresh Wednesdays, Summerlicious, Sunday Serenades, Cavalcade of Lights, New Year celebration and Nuit Blanche;

- ✓ Continue to support the city-owned heritage and cultural buildings including 97 city-owned heritage and cultural buildings at 60 heritage sites; and
- ✓ Support the operation and programming of 10 historic museum sites: Colborne Lodge (1837), Spadina Museum: Historic House & Gardens (1866), Fort York National Historic Site (1793), Montgomery's Inn (1847), Todmorden Mills Heritage Museum & Arts Centre, Gibson House Museum (1851), Scarborough Historical Museum, York Museum, Zion Schoolhouse (1869), and Mackenzie House (1850s).

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 |
| | \$ | \$ | \$ | % | \$ | \$ |
| GROSS EXP. | 36,699.6 | 33,436.0 | (3,263.6) | (8.9) | 281.6 | |
| REVENUE | 10,668.5 | 9,465.1 | (1,203.4) | (11.3) | 0 | |
| NET EXP. | 26,031.1 | 23,970.9 | (2,060.2) | (7.9) | 281.6 | |
| Approved Positions | 284.8 | 275.8 | (9.0) | (3.2) | | |

| Target Comparison | 10% Reduction Target | 2012 Rec.'d Reduction | 2012 1Rec'd Reduction vs. 2012 10% Reduction Target | Target % |
|------------------------|----------------------------|--------------------------|---|-------------|
| 2012 Reductions | (2,592.3) | (2,806.2) | 213.9 | 10.8% |

2012 Recommended Base Budget

- The 2012 Recommended Base Budget for Economic Development and Culture of \$33.436 million gross and \$23.971 million net is \$2.060 million or 7.9% below the 2011 Approved Operating Budget.
- The 2012 Recommended Base Budget reduction of \$2.806 million is below the 2011 reduction target by \$0.214 million or 0.8%. This additional reduction is required to offset unbudgeted Base Budget Increases.
- The Program's 2011 Recommended Operating Budget includes efficiency savings of \$0.243 million, increased revenue of \$0.386 million, minor service changes totaling \$1.060 million and major service changes of \$1.118 million including an unallocated reduction of \$0.893 million.
- Approval of the 2011 Recommended Operating Budget will result in the Program's total staff complement decreasing from 284.8 to 275.8 approved positions as highlighted below.

2012 Recommended Staff Complement – Base Budget Summary

| Changes | Staff Complement |
|--|-------------------------|
| 2011 Approved Positions | 284.8 |
| - 2011 In-year Adjustments | |
| 2011 Approved Staff Complement | 284.8 |
| 2012 Recommended Staff Complement Changes | |
| - 2012 Temporary Positions - Capital Project Delivery | |
| - 2012 Operating Impacts of completed Capital Projects | |
| - 2012 Service Changes | (9.0) |
| Total Recommended Positions | 275.8 |

- The 9 position reduction includes:
 - The reduction of 2 vacant jobs due to the elimination of the Federal Employment HRC Program, and
 - The reduction of 7 positions arising from recommended service changes detailed on page 12.

2012 Recommended Service Change Summary
(In \$000s)

| Description | 2012 Recommended Service Changes | | | | Net Incremental Impact | | | |
|---|----------------------------------|------------------|------------------|-----------------------------------|------------------------|----------|----------|----------|
| | Position Changes | Gross Expense | Net Expense | % of 2012 Budget Reduction Target | 2013 | | 2014 | |
| | # | \$ | \$ | % | \$ | # Pos. | \$ | # Pos. |
| Base Changes: | | | | | | | | |
| Sub-Total Base Budget Changes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Service Efficiencies | | | | | | | | |
| Reduced Contracted Services | | (50.0) | (50.0) | (0.2%) | | | | |
| Reduced non-labour costs for Admin | | (20.0) | (20.0) | (0.1%) | | | | |
| Reduced Supervision Special Events | (1.0) | (82.9) | (82.9) | (0.3%) | | | | |
| Reduction of Development Officer Position | (1.0) | (89.6) | (89.6) | (0.3%) | | | | |
| Sub-Total Service Efficiencies | (2.0) | (242.5) | (242.5) | (0.9%) | 0 | 0 | 0 | 0 |
| Revenue Adjustments: | | | | | | | | |
| Increased Film Revenue | | | (75.0) | (0.3%) | | | | |
| Licious Revenue Increases | | | (95.0) | (0.4%) | | | | |
| Increased Fees | | | (58.9) | (0.2%) | | | | |
| Increased Rev. from Tourism Toronto | | | (100.0) | (0.4%) | | | | |
| Change Fixed Discount Rate (Film Office) | | | (57.0) | (0.2%) | | | | |
| Sub-Total Revenue Adjustments | 0 | 0 | (385.9) | (1.5%) | 0 | 0 | 0 | 0 |
| Minor Service Impact: | | | | | | | | |
| International Partnership | | (50.0) | (50.0) | (0.2%) | | | | |
| Cancel Wintercity Outdoor Program | (1.0) | (812.8) | (459.7) | (1.8%) | | | | |
| Financial Services Alliance Sponsorship | | (100.0) | (100.0) | (0.4%) | | | | |
| Marketing Activities | (1.0) | (138.5) | (138.5) | (0.5%) | | | | |
| Economic Policy and Research | | (75.0) | (75.0) | (0.3%) | | | | |
| Core Service Review Approval- Business Service (Confidential) | (2.0) | (164.0) | (164.0) | (0.6%) | (16.0) | | | |
| Film Office Coordinator | (1.0) | (72.9) | (72.9) | (0.3%) | | | | |
| Sub-Total Minor Service Impacts | (5.0) | (1,413.2) | (1,060.1) | (4.1%) | (16.0) | 0 | 0 | 0 |
| Major Service Impact: | | | | | | | | |
| Core Service Review Approval- Business Service (Confidential) | | (225.0) | (225.0) | (0.9%) | | | | |
| Alternative Services Reduction | | (892.7) | (892.7) | (3.4%) | | | | |
| Sub-Total Major Service Impacts | 0 | (1,117.7) | (1,117.7) | (4.3%) | 0 | 0 | 0 | 0 |
| Total Service Changes | (7.0) | (2,773.4) | (2,806.2) | (10.8%) | (16.0) | 0 | 0 | 0 |

2012 Recommended Service Changes

Service Efficiencies

Reduced Contracted Services (\$0.050 million savings)

- The Program will reduce contracted services in the Cultural Development/Affairs Unit by \$50,000 after a review of contracted services costs. The Program will prioritize service needs and fund the projects that will prevent further damage to buildings, maintaining historic buildings in State of Good Repair.

Reduced Cost for Administration to Actual Experience (\$0.0200 million Reduction)

- The Program will reduce the Program Support Section's non-staff administrative budgets from \$50,000 to \$30,000 or 40% as a result of the previous year's experience. These funds are used to provide software and licensing, telecommunications, staff development, materials and supplies, etc. These reductions will not impact service levels.

Reduced Support for Special Events (\$0.083 million savings and 1 position reduction)

- The Program will delete a vacant temporary Business Analyst position working on the EventPal project. The EventPal portal development will be incorporated within the scope of the EDC IT capital program therefore the deletion of this position can be achieved without directly impacting service levels.

Reduction of Economic Development Officer (\$0.090 million savings and 1 position reduction)

- The Program will eliminate one vacant, Economic Development Officer (EDO) position. There are currently 14 staff responsible for providing business advisory support. The Division has held one EDO position vacant for the last two years to meet hiring slowdown directives. The 2011 level of service will be maintained in 2012.

Revenue Adjustments*Increased Film Revenue (\$0.075 million increased revenue)*

- The annual film revenue target has been increased from \$0.125 million in 2011 to \$0.200 million in 2012. This reflects the higher permit volume and revenue currently being realized due to a higher level of film activity in the City in recent years. The current level of service to the industry will be sustained.

Licious Revenue Increases (\$0.095 million increased revenue)

- The Program will increase the sponsorship target and program fees for the Winterlicious and Summerlicious events. These programs have evolved to become two of Toronto's "hottest" culinary celebrations. The sponsorship value is higher than it was just a few years ago, and there is high demand among restaurants for entry into the programs.
- The increase, totalling \$0.095 million is approximately 15% above current levels.
- There will be no reduction in the current level of service provided. Torontonians and tourists will continue to enjoy Toronto's diverse cuisine at 150 fine restaurants at the three-course prix fixe promotion prices. The participating restaurants experience

increased sales and promotional value during seasonally low periods of business and the local economy receives a boost in activity.

Increased Fees for Culture Activities (\$0.059 million increased revenue)

- User fees will increase by an average 6.5% for general admission rates as well as program and rental fees at museums and cultural centres. User fees were last increased in 2008. With the increase, the prices will still be within the range of prices charged at many other Toronto museums and attractions. The increases are in compliance with the new user fee policy.

Increased Revenue from Tourism Toronto (\$0.100 million increased revenue)

- The Program will be signing a new Memo of Understanding with Tourism Toronto that will provide a \$0.100 million revenue increase to support a higher proportion of the City's delivery of visitor services. Tourism Toronto's contribution towards the base budget for cultural and visitor services supporting Toronto's ability to attract and service tourists will increase from \$0.300 million in 2011 to \$0.400 million in 2012. The increased contribution from Tourism Toronto will enable current service levels to be maintained at a reduced cost to the taxpayer.

Change Fixed Discount Rate, Film Office (\$0.057 million increased revenue)

- At present, parking revenues recovered by the Toronto Film and Television Office are based on current Toronto Parking Authority rates and then adjusted by a fixed Canadian to US currency exchange or 'pegged rate" of \$0.78. Given the current exchange rate, the Program will shift from the present 78 cents to a less onerous base for the City, yet one which still recognizes the industry's needs.
- The recommended discount rate will be set at 95 cents effective July 30, 2012 in order to maintain current pricing for productions in the planning stages and allow time for collaboration on the change. This re-pegging of the conversion rate will have no impact on the increasing volume of film shoots in Toronto.

Minor Service Changes

Reduce International Partnership Activities (\$0.050 million reduction)

- The Program will reduce the number of business partnership activities for the International Alliance and Trade Development Programs; and implement cost recovery for Promo Madrid Trade Development International. The current 4 projects per year will be retained, but the scale of City of Toronto funding support will be reduced by 50% from \$0.020 million for each project to approximately \$0.010 million per project.

Cancel WinterCity Outdoor Programming (\$0.460 million and 1 position reduction)

- Currently WinterCity comprises two streams of programming: The Winterlicious Prix Fix program and the WinterCity outdoor program.
- It is recommended that:
 - The Winterlicious Prix Fix will continue to run for 14 days and involve 150 restaurants across Toronto.
 - The second program, "WinterCity" including the free programming over two weekends will be cancelled and 1 vacant position deleted. This service change will result in savings of \$0.460 million in 2012.

Eliminate Toronto Financial Services Alliance Sponsorship (\$0.100 million reduction)

- The Program will eliminate the City's \$0.100 million sponsorship of the Toronto Financial Services Alliance (TFSA). The impact on the Alliance's ability to function will be minor as it has developed significant sources of revenue from other partners. While the loss of the City's cash sponsorship will require it to reduce the scope of its activities, the sponsorship loss will not require fundamental change to TFSA's operations.

Reduce Marketing Activities (\$0.139 million and 1 position reduction)

- Marketing support services will be reduced from \$0.349 million to \$0.279 million or 20%. The Program will also delete one of the three Marketing and Communications Consultants position which is vacant. The service impact will be minimized by converting to electronic marketing tactics and other lower cost options. The 2012 marketing plan will be reviewed in consultation with economic development staff to identify where the service reductions can be made with the least impact.

Reduce Economic Policy & Research Activity (\$0.075 million reduction)

- The Economic Policy and Research Activity will be reduced from \$179,000 to \$104,000 or 42%. This would be achieved by: reducing the amount of data and information purchased by the unit; reduce funds available for studies and special projects i.e. Economic Competitiveness studies/strategies; and reducing annual support for partnership activities that support economic analysis and policy implementation. The Program will participate in 2 or 3 fewer large studies and special projects annually and generate, provide input/ comment on 6 to 8 reports/policy papers annually.

Reduction of one Film Coordinator Position (\$0.073 million and 1 position reduction)

- The Program will delete one of the two Film Co-coordinator positions. This vacant supervisory position is intended to provide support for the preparation of briefing

notes scheduling, supervising staff, and providing advice and assistance to local film festivals. The Film Office will make all efforts to minimize the impact of this reduction. Staff will continue to respond to actions and decision of other governments and national agencies and provide staff support for significant and urgent issues as they arise.

Reduced Service Levels in Economic Development (\$0.164 million and 2 positions reduction)

- The 2012 Recommended Operating Budget for Economic Development and Culture includes savings of \$0.164 million as a result of service changes and the elimination of 2 positions. Details of these savings are available for review in the Confidential Attachment 1, under separate cover.

Major Service Changes

Service Efficiencies and Alternative Service Delivery for Culture Services (\$0.893 million reduction)

- The General Manager of Economic Development and Culture will undertake a service efficiency review for Culture Services and develop an implementation plan that will examine various options to achieve efficiency savings in Culture Services including alternative service delivery and revenue options. The General Manger will report to Budget Committee on the specific details of this reduction in the second quarter, 2012.

Reduced Service Levels in Economic Development (\$0.225 million reduction)

- The 2012 Recommended Operating Budget for Economic Development and Culture includes savings of \$0.225 million as a result of service change. Details of these savings are available for review in the Confidential Attachment 1, under separate cover.

2013 and 2014 Outlook:

- Approval of the 2012 Recommended Base Budget for Economic Development and Culture will result in incremental cost of \$0.282 million in 2013 to maintain the 2012 level of service and staff complement.
- The 2013 Outlook for Economic Development and Culture anticipates an increase of \$0.090 million for progression pay, \$0.054 for step increments, and \$0.154 million for fringe benefits.
- The Outlooks do not include a provision for COLA since collective agreements expire at the end of 2011 and future adjustments are subject to collective agreement negotiations.

PART V: ISSUES FOR DISCUSSION

2012 and Future Year Issues

2012 Issues

Core Service Review Approvals

The Core Service Review process resulted in a number of recommendations and referrals regarding Economic Development and Culture, providing various strategies and alternatives, some inconsistent with others. The City Manager and General Manager of Economic Development and Culture will report back during 2012, as these are reviewed and directions clarified.

At its meeting of September 26 and 27, 2011 City Council approved the report "Core Service Review–Final Report to Executive Committee" from the City Manager. Following are decisions related to Economic Development and Culture:

- *City Council initiate the divestment of the following City agencies or bodies by taking the following actions and request the City manager to report back to Executive Committee as required:*
 - *The City Manager be requested to review the City's heritage assets to find operational efficiencies and strengthening fundraising ability, by considering public/private models adopted by other levels of government and by reviewing the partnership model adopted by the City's successful Bicentennial program;*
 - *Given the legislative responsibilities of the City in relation to its heritage assets, the City Manager ensure the review process is transparent and includes consideration of best practices, including those currently practiced by the City; and*
 - *Given the scale and significance of Fort York, and given that the City is three months from the start of the Bicentennial of the War of 1812 and the Fort York Foundation is in the midst of a capital campaign to effect the greatest transformation of the site ever, that any review of the Fort be considered after the Bicentennial and its impact can be assessed.*
- *City Council request the General Manager of Economic Development and Culture to review the establishment of a regional economic development agency, including initiating discussions with regional, and other key stakeholders, and report to the Economic Development Committee in early 2012.*

- *City Council request the City Manager to ensure that any underperforming City venue, such as museums, be reviewed to allow them to be open to entrepreneurial opportunities, such as weddings and other events.*
- *City Council refer the following Executive Committee Recommendation to the City Manager for further consideration and the City manager be directed to consult with Heritage Toronto:*
 - *Economic Development and Culture – Reduce cultural services activities by closing museums with the least attendance, and revenues to costs.*
 - *City Council direct the City Manager, in his review of the option of consolidating Museum Services (Culture) and Heritage Preservation Services (City Planning) as previously directed by the Executive Committee, to examine the economic viability of Heritage Toronto as a not-for-profit organization with the new responsibility of operating City owned Museums, to allow for greater opportunity for Federal and Provincial Capital grants and revenue generating opportunities.*
 - *Executive Committee requested the City Manager to review the option of consolidating Museum Services (Culture) and Heritage Preservation Services (City Planning) with an independent Heritage Toronto and report on its feasibility to the Executive Committee.*

At the its Meeting of September 19, 2011, Executive Committee referred the following recommendations back to the City Manager Manger for consideration as part of the 2012 and 2013 budget process:

- *Economic Development and Culture:*
 - *Consider reducing Business Services.*
 - *Consider reducing Sectors and Trade Development activities. (savings of \$0.389 million are included in the 2012 Recommended Operating Budget)*
 - *Consider reducing staff support services to Business Improvement Areas or recovering costs of support provided.*

Service Efficiencies and Alternative Service Delivery for Culture Services

The General Manager of Economic Development and Culture will undertake a service efficiency review for Culture Services and develop an implementation plan to realize the \$0.893 million in savings, including potential alternative service delivery and revenue generating options. The review will also consider the Core Service Review directions from Council noted above the General Manger will report to Budget Committee on the specific details of this reduction in the second quarter, 2012.

Appendix 1

2011 Performance

2011 Key Accomplishments:

Economic Development and Culture's major accomplishments in 2011 are highlighted below:

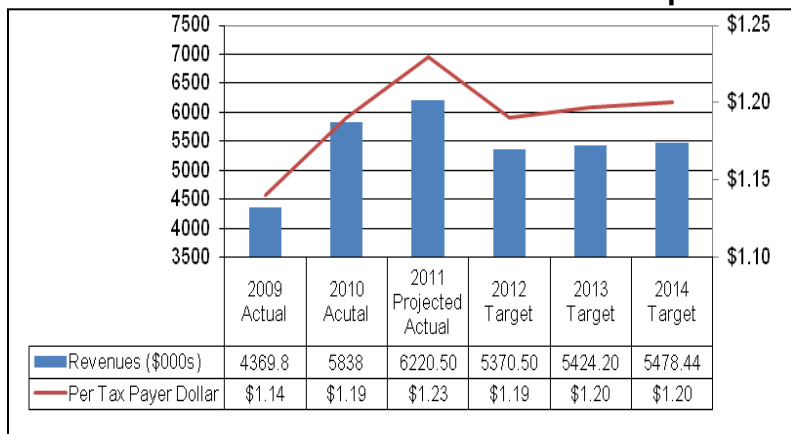
- ✓ Facilitated the approval of 26 Gold Star investment projects – which will result in the development of 3.2 million square feet of industrial/commercial floor space and construction activity valued at \$587 million. These projects will enable 8019 jobs to stay in Toronto and generate 2403 new employment opportunities. Key developments include Apollo, Pinewood Studios, Eclipsall Energy and Ripley's Aquarium.
- ✓ Increased the number of Enterprise Toronto outreach presentations and events to reach 800 more people than in 2010 (15% increase).
- ✓ Launched new initiative to assist smaller companies in developing export markets and attracting investors. A new Export Web page promoting Toronto businesses to export gatekeepers and bilateral business organizations was developed and export development training sessions organized which were attended by 100+ companies.
- ✓ Facilitated the creation of a new Financial District BIA which encompasses almost \$12 billion in assessed properties in the heart of the central core of Toronto. Provided ongoing advice and support to the Boards of Managements of 72 BIAs to ensure their effective programming and legislative, compliance and accountability.
- ✓ Film and television production activity in Toronto is projected to increase by at least 5% in 2011 despite the increased value of the Canadian dollar. Two of the largest films ever shot in the city are in production and pre-production (Total Recall and Still Seas).
- ✓ Supported the work of a private sector economic advisory committee to develop an action plan for accelerating economic growth and job creation– *The Toronto Prosperity Initiative*.
- ✓ Assisted with the bid bringing the International Indian Film Academy Awards (IIFA) to Toronto and acted as lead partner with the IIFA campaign and event program
- ✓ Undertook extensive consultation and research to complete the cultural mapping project, a comparative study on "per capita investment in culture". As well as an updated cultural development plan–*Creative Capital Gains*.
- ✓ Collaborated with City Planning on the Official Plan Review to ensure that the Plan includes adequate land and supportive policies to attract and retain businesses and meet the City's employment targets.

- ✓ Developed and launched "We've been Expecting You" hospitality excellence program on behalf of the tourism industry.
- ✓ Continued to expand Scotiabank Nuit Blanche's audience and profile as an internationally significant contemporary arts festival.
- ✓ Established a new operating model for Casa Loma and negotiated an end to the City's agreement with the Kiwanis.

2011 Performance

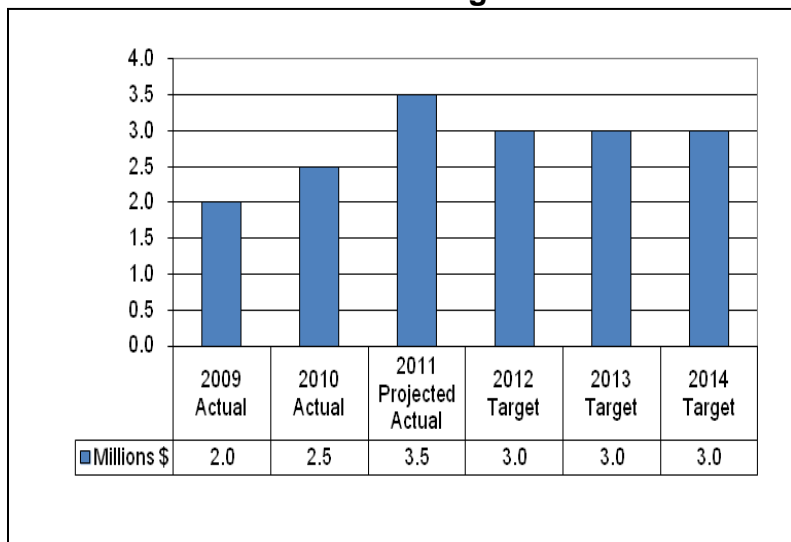
Effectiveness

EDC Revenue Generated vs Tax Dollars Spent



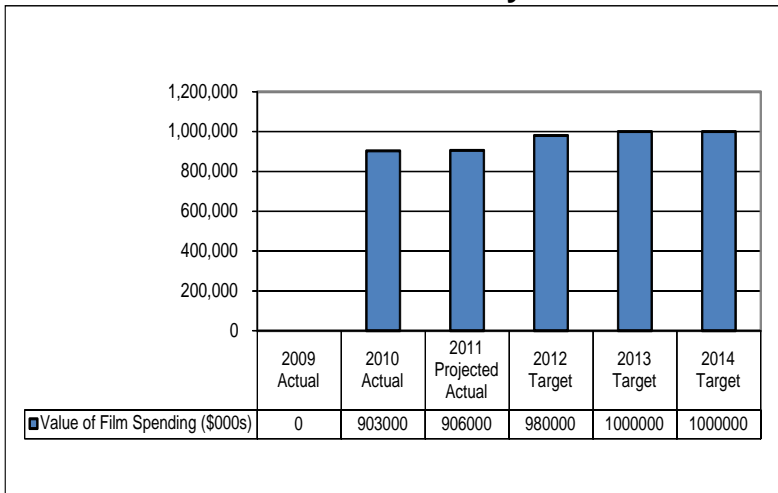
- The chart indicates EDC's ability to leverage revenues from external partners and sponsors to provide Toronto tax payers value for their dollar.
- Every \$1 of program expenditure results in \$1.2 of revenue.

Investment Leverage



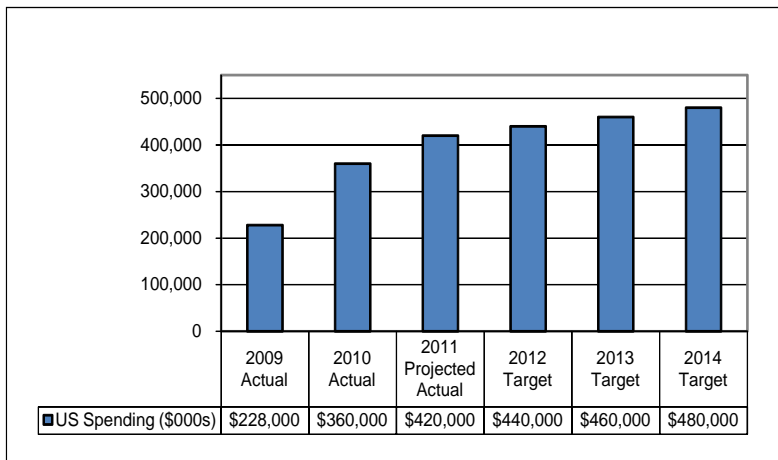
- The Competitiveness Creativity and Collaboration Investment grant program continues to leverage \$3.0 to \$3.5 for every \$1.0 of grant funding.

Total Film Revenue in the City of Toronto



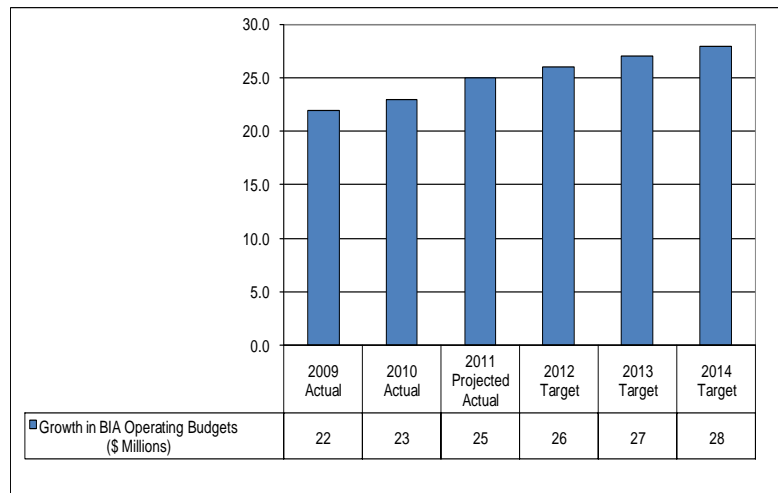
- Contribution of screen-based industries to the Toronto economy continues to be stable and projections are for continued strength.

US Film Production Spending in the City of Toronto



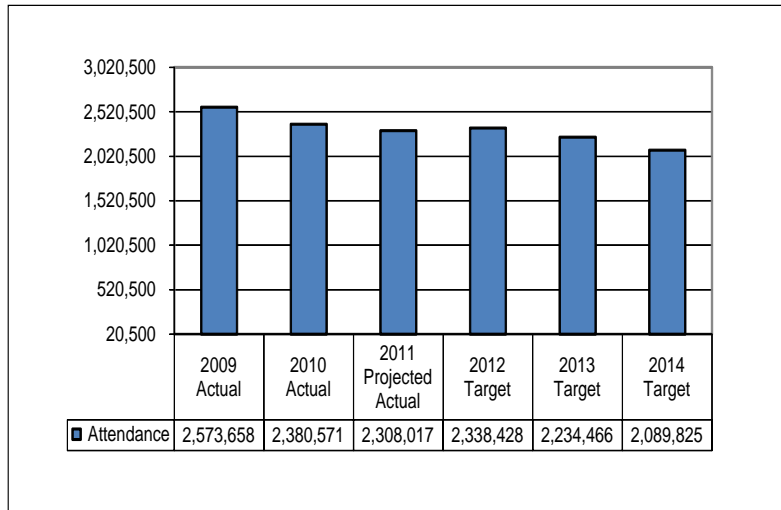
- The results of the marketing efforts of the Film Office promoting Toronto in the USA is seen through the increase in the amount of US dollars spent in the City on Film Production.

BIA Contributions (Excluding Capital)



- BIA contribution to commercial area revitalization as approved in their annual operating budgets funded by levies to the membership.
- The trend of 3-4 new BIAs per year is expected to continue as unorganized retail areas become interested in the program.

Attendance at Culture Events



- Attendance at Culture Events including Nuit Blanche, Cavalcade of lights, Winter City, Winterlicious, and Summerlicious, has declined from 2.5 million in 2009 to 2.3 million projected for 2011.
- This may be a result of events reaching a maturity that will require changes in format to increase interest.

2011 Budget Variance Analysis

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

| | 2009 Actuals | 2010 Actuals | 2011 Approved Budget | 2011 Projected Actuals* | 2011 Appvd. Budget vs Projected Actuals Variance | | |
|---------------------------|--------------|--------------|----------------------|-------------------------|--|---------|-------|
| | (In \$000s) | \$ | \$ | \$ | \$ | % | |
| GROSS EXP. | | 62,360.3 | 62,571.0 | 36,699.6 | 36,599.5 | (100.1) | (0.3) |
| REVENUES | | 64,278.0 | 63,833.7 | 10,668.5 | 10,768.4 | 99.9 | 0.9 |
| NET EXP. | | (1,917.7) | (1,262.7) | 26,031.1 | 25,831.1 | (200.0) | (0.8) |
| Approved Positions | | 529.5 | 529.5 | 529.5 | 529.5 | 0 | 0 |

* Based on the Third Quarter Operating Budget Variance Report.

2011 Experience

- Economic Development and Culture reported favourable net expenditure variance of \$0.200 million or for the 9 months ended September 30, 2011. This favourable variance was primarily the result of increased revenue from the Film Office and reduced costs resulting from the hiring slow down.

Impact of 2011 Operating Variance on the 2012 Recommended Budget

- The 2011 Operating Variance is projected to have no impact on the 2012 Recommended Budget.

Appendix 2

2012 Recommended Operating Budget by Expenditure Category and Key Cost Drivers

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

| Category of Expense | 2009 | 2010 | 2011 | 2011 | 2012 | 2012 Change from | | 2013 | 2014 |
|------------------------------------|-----------------|-----------------|-----------------|------------------|--------------------|----------------------|---------------|-----------------|-----------------|
| | Actual | Actual | Budget | Projected Actual | Recommended Budget | 2011 Approved Budget | % | Outlook | Outlook |
| | \$ | \$ | \$ | \$ | \$ | \$ | % | \$ | \$ |
| Salaries and Benefits | 21,417.6 | 23,613.3 | 23,711.0 | 23,711.0 | 24,329.0 | 618.0 | 2.6% | 24,626.0 | 24,626.0 |
| Materials and Supplies | 1,165.2 | 1,139.1 | 1,183.6 | 1,183.6 | 1,173.1 | (10.50) | (0.9%) | 1,173.1 | 1,173.1 |
| Equipment | 256.7 | 197.8 | 126.3 | 126.3 | 125.9 | (0.40) | (0.3%) | 125.9 | 125.9 |
| Services & Rents | 8,050.1 | 7,939.2 | 8,018.6 | 7,918.6 | 5,418.3 | (2600.30) | (32.4%) | 5,418.3 | 5,418.3 |
| Contributions to Capital | | | | | | | | | |
| Contributions to Reserve/Res Funds | 904.1 | 968.0 | 929.0 | 929.0 | 929.0 | 0.00 | 0.0% | 929.0 | 929.0 |
| Other Expenditures | 2,262.5 | 1,852.0 | 1,803.2 | 1,803.2 | 996.0 | (807.20) | (44.8%) | 996.0 | 996.0 |
| Interdivisional Charges | 1,584.2 | 604.3 | 472.7 | 472.7 | 464.7 | (8.00) | (1.7%) | 464.7 | 464.7 |
| TOTAL GROSS EXPENDITURES | 35,640.4 | 36,313.7 | 36,244.4 | 36,144.4 | 33,436.0 | (2808.40) | (7.7%) | 33,733.0 | 33,733.0 |
| Interdivisional Recoveries | 333.6 | 9.1 | | | | | | | |
| Provincial Subsidies | 957.6 | 1,412.2 | 782.7 | 782.7 | 482.7 | (300.00) | (38.3%) | 482.7 | 482.7 |
| Federal Subsidies | 200.5 | 274.6 | 139.2 | 139.2 | 139.2 | 0.00 | 0.0% | 139.2 | 139.2 |
| Other Subsidies | 0.5 | 1.1 | 92.5 | 92.5 | 92.5 | 0.00 | 0.0% | 92.5 | 92.5 |
| User Fees & Donations | 1,580.1 | 1,872.9 | 2,221.8 | 2,321.8 | 2,404.6 | 182.80 | 8.2% | 2,404.6 | 2,404.6 |
| Transfers from Capital Fund | 1,017.0 | 1,017.0 | 1,017.0 | 1,017.0 | 1,036.0 | 19.00 | 1.9% | 1,036.0 | 1,036.0 |
| Contribution from Reserve Funds | 606.6 | 636.0 | 500.0 | 500.0 | 500.0 | 0.00 | 0.0% | 500.0 | 500.0 |
| Contribution from Reserve | | | | | | | | | |
| Sundry Revenues | 4,111.7 | 4,895.1 | 5,460.1 | 5,460.1 | 4,810.1 | (650.00) | (11.9%) | 4,810.1 | 4,810.1 |
| TOTAL REVENUE | 8,807.6 | 10,118.0 | 10,213.3 | 10,313.3 | 9,465.1 | (748.20) | (7.4%) | 9,465.1 | 9,465.1 |
| TOTAL NET EXPENDITURES | 26,832.8 | 26,195.7 | 26,031.1 | 25,831.1 | 23,970.9 | (2060.20) | (7.9%) | 24,267.9 | 24,267.9 |
| APPROVED POSITIONS | | | 284.8 | 284.8 | 275.8 | (9.00) | n/a | 275.8 | 275.8 |

2012 Key Cost Drivers

- Salaries are the largest expenditure category and account for 73% of the total expenditures, followed by Service and Rents at 16%
- The 2012 Recommended Net Budget has been reduced by \$2.060 million or 7.9% from the 2011 Approved Budget. Gross expenditures have been reduced by 7.7% and by 7.4%.
- Salaries and Benefits:* The 2012 Recommended Operating Budget includes an increase of \$0.147 million for progression pay and step increases and \$0.393 for 1% OMERS increase and cost of one extra day for leap year. This increase is partially offset by the \$0.150 million reduction for two Federal funded positions.

- Services and Rents: The 2012 Recommended Operating Budget includes a reduction of \$1.255 million in expenditures offset by an equal reduction in revenue to reverse one-time third party funding of specific projects approved in 2011. The projects include a reduction of \$0.800 million for projects funded by Tourism Toronto and a reduction of \$0.455 million for Nuit Blanche activities.
- Approval of the 2012 Recommended Base Budget for Economic Development and Culture will result in incremental cost of \$0.282 million in 2013 due to \$0.090 million for progression pay, \$0.054 for step increments, and \$0.154 million for fringe benefits.
- The Outlooks do not include COLA since collective agreements expire at the end of 2011 and future adjustments are subject to negotiations.

Appendix 3

Summary of 2012 Recommended Service Changes

Appendix 5

Inflows / Outflows / from Reserves & Reserve Funds

Program Specific Reserve/ Reserve Funds

| Reserve / Reserve Fund Name (In \$000s) | Reserve / Reserve Fund Number | Description | 2012 | 2013 | 2014 |
|--|-------------------------------------|------------------------------|--------------|--------------|--------------|
| | | | \$ | \$ | \$ |
| Design Exchange Reserve fund | XR3012 | Projected Beginning Balance* | 503.0 | 503.0 | 503.0 |
| | | Proposed | | | |
| | | Withdrawals (-) | (500.0) | | |
| | | Contributions (+) | 500.0 | | |
| Balance at Year-End | | | 503.0 | 503.0 | 503.0 |

* Based on 3rd Quarter Variance Report

| Reserve / Reserve Fund Name (In \$000s) | Reserve / Reserve Fund | Description | 2012 | 2013 | 2014 |
|--|---------------------------|------------------------------|--------------|--------------|--------------|
| | | | \$ | \$ | \$ |
| Vehicle Reserve Fund EDC | XQ1200 | Projected Beginning Balance* | 186.9 | 208.4 | 208.4 |
| | | Proposed | | | |
| | | Withdrawals (-) | | | |
| | | Contributions (+) | 21.5 | | |
| Balance at Year-End | | | 208.4 | 208.4 | 208.4 |

| Reserve / Reserve Fund Name (In \$000s) | Reserve / Reserve Fund | Description | 2012 | 2013 | 2014 |
|--|---------------------------|------------------------------|--------------|--------------|--------------|
| | | | \$ | \$ | \$ |
| 16 Ryerson Capital Maintenance | XR3213 | Projected Beginning Balance* | 156.7 | 176.7 | 176.7 |
| | | Proposed | | | |
| | | Withdrawals (-) | | | |
| | | Contributions (+) | 20.0 | | |
| Balance at Year-End | | | 176.7 | 176.7 | 176.7 |

Corporate Reserve/ Reserve Funds

| Reserve / Reserve Fund Name (In \$000s) | Reserve / Reserve Fund Number | Projected Balance as of December 31, 2011 * | Proposed Withdrawals (-) / Contributions (+) | | |
|---|-------------------------------------|--|---|------|------|
| | | | 2012 | 2013 | 2014 |
| | | | \$ | \$ | \$ |
| Insurance Reserve Fund | XR1010 | 31,346.0 | 87.5 (87.5) | | |
| Total Reserve / Reserve Fund Draws / Contributions | | | 0 | | |

* Based on 3rd Quarter Variance Report