

## **Operating Variance Report for the Year Ended December 31, 2012**

|                          |   |
|--------------------------|---|
| <b>Date:</b>             | May 23, 2013  |
| <b>To:</b>               | Budget Committee                                    |
| <b>From:</b>             | Deputy City Manager and Chief Financial Officer     |
| <b>Wards:</b>            | All   |
| <b>Reference Number:</b> | P:\2013\Internal Services\Fp\Bc13021Fp (AFS #16764) |

### **SUMMARY**

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The purpose of this report is to provide Council with the City of Toronto Operating Variance for the year ended December 31, 2012 and allocation of the 2012 year-end under-spending.

The preliminary 2012 year-end operating position for Tax Supported Operations resulted in a net favourable variance of \$248.183 million available for distribution after Council/Legislative Requirements are met. Consistent with the City Council's approved Surplus Management Policy, at least 75 percent of the surplus or \$186.116 million of the 2012 final year-end operating results will be allocated to the Capital Financing Reserve and \$62.067 million will be allocated to underfunded liabilities and/or reserve funds. In addition, Rate Supported Programs reported a year-end net favourable variance of \$63.186 million.

It should be noted that the audit of the 2012 financial statements is not complete. As a result, there is a possibility that changes to the final surplus amount could occur but staff anticipate that any further adjustments will be minor in nature.

### **FINANCIAL IMPACT**

Net expenditures, after in-year Council approvals, for the year ended December 31, 2012 were lower than planned by \$248.183 million for Tax Supported Operations, as outlined in the table below. This represents 6.7% of the net budget or just 2.6% of the gross budget. The key contributors to the under-spending included the following:

| <b>Table 1</b>  |                               |
|---|-------------------------------|
| <b>Tax Supported Net Expenditure Variance (\$ Millions)</b> |                               |
|   | Year-End 2012<br>Over/(Under) |
| Citizen Centred Services "A"                                | (29.3)                        |
| Citizen Centred Services "B"                                | (17.4)                        |
| Internal Services   | (11.3)                        |
| City Manager  | (3.6)                         |
| Other City Programs   | (2.9)                         |
| Council Appointed Programs                                  | (0.6)                         |
| <b>Total - City Operations</b>                              | <b>(65.0)</b>                 |
| Agencies, Boards and Commissions                            | (70.5)                        |
| Corporate Accounts  | (172.5)                       |
| <b>Sub-Total</b>  | <b>(242.9)</b>                |
| <b>Total Variance</b>                                       | <b>(307.9)</b>                |
| Council/Legislated Requirements                             | 59.7                          |
| <b>Surplus Available for Distribution</b>                   | <b>(248.2)</b>                |

Lower than planned winter maintenance costs and Ontario Works caseload (average monthly caseload of 104,069 actual versus 108,500 budgeted) plus under-spending in salaries and benefits due to vacancies that were not filled resulted in City Operations being under-spent by \$65.00 million or 3.5% at year-end.

Agencies reported a net under-expenditure of \$70.455 million or 4.2% at year-end primarily driven by the Toronto Transit Commission. The Toronto Transit Commission (Conventional Services) reported net under-spending \$40.954 million or 10.0% due largely to savings of \$24.171 million or 1.6% from lower market prices of diesel fuel, electricity and natural gas as well as lower consumption of energy and natural gas from the milder weather earlier in 2012. Planned revenue was \$16.783 million or 1.6% above budget mostly as a result of higher than expected ridership, with 514 million rides provided compared to a budget of 503 million riders; reflecting an increase of 11 million rides. In addition, Toronto Police Service reported net under-spending of \$15.483 million or 1.7% due to savings from members on unpaid leave; materials; and, supplies. In addition, revenues were higher than planned from increased background checking requests; paid duty administration fees; recoveries from overseas secondments; and, additional grant funding.

Corporate Accounts were under-spent by \$172.461 million. Revenues from the Municipal Land Transfer Tax were \$56.180 million or 19.5% higher than a budget of \$288.290 million resulting from the number of property sales and values. In addition, Third Party Sign Tax revenue was \$22.446 million higher than the 2012 Approved Operating Budget of \$1.582 million. The net positive variance reflected the collection of retroactive Third Party Sign Taxes, now that the Supreme Court of Canada has not granted leave to appeal the Ontario Court of Appeal's decision on April 2, 2012 that the Third Party Sign Tax may be applied to all signs regardless of the date they were installed, enabling the City to retroactively bill for past due payments. A more robust cash flow during 2012, which allowed more income generated from short-term investments, combined with relatively favourable interest rates and capital gains from the sale of investments, resulted in an extra \$22.057 million or 19.4% in revenue from Interest/Investment Earnings.

Altogether, Rate Supported Programs reported an under-expenditure of \$63.186 million, as outlined in the table below. Toronto Water was under-spent by \$50.0 million from lower than planned gross expenditures of \$33.866 million or 3.8% mainly due to savings in salaries and benefits arising from vacancies that were not filled. In addition, revenues were \$16.134 million or 1.8% above planned largely from increased water and wastewater surcharges. Solid Waste Management Services reported a favourable net variance of \$11.265 million resulting primarily from lower than planned expenditures of \$15.140 million or 4.4% mainly due savings in salaries and benefits arising from vacancies were not filled. The Toronto Parking Authority's net expenditures were \$1.921 million or 3.4% above budget, driven by higher than planned revenues of \$3.577 million or 2.8% mostly from rate increases implemented in August and September of 2012.

| <b>Table 1-B</b>   |                               |
|--|-------------------------------|
| <b>Rate Supported Net Expenditure Variance (\$ Millions)</b> |                               |
|  | Year-End 2012<br>Over/(Under) |
| Toronto Water  | (50.0)                        |
| Solid Waste Management Services                              | (11.3)                        |
| Toronto Parking Authority                                    | (1.9)                         |
| <b>Total</b>   | <b>(63.2)</b>                 |

After \$59.734 million is allocated to comply with approved Council direction/legislative requirements as outlined on pages 9 and 10, the 2012 year-end surplus available for distribution is \$248.183 million for Tax Supported Programs. In accordance with the City's Surplus Management Policy, \$186.116 million of the final year-end surplus available for distribution will be allocated to the Capital Financing Reserve to fund the City's 2013 to 2022 Capital Budget and Plan. The remaining \$62.067 million will be allocated to underfunded liabilities and/or reserve funds. Table 2 below summarizes the allocations for Tax Supported Programs and Agencies and Rate Supported Programs.

| <b>Table 2</b>   |                |
|--|----------------|
| <b>2012 Year-End Net Operating Results - Tax Supported Programs/Agencies (\$ Millions)</b>                   |                |
| <b>Preliminary Year-End Operating Results</b>  | <b>307.917</b> |
| <b>Council/Legislative Requirements:</b>   |                |
| 2012 CUPE LOCAL 416 and Local 79 Lump Sum Payment  | (13.593)       |
| City Parking Reserve Fund  | (12.000)       |
| Exhibition Place Stabilization Reserve   | (1.855)        |
| Exhibition Place Conference Centre Reserve Fund  | (2.764)        |
| Toronto Culture And Arts Funding   | (22.446)       |
| Building Code Act Services Improvement Reserve Fund  | (5.736)        |
| Development Application Review Fees Reserve Fund   | (0.491)        |
| Council Transition Reserve Fund - Fund Future Severance Costs for City Council Staff                         | (0.849)        |
| Sub-Total  | (59.734)       |
| <b>Final Year-End Surplus Available for Distribution</b>   | <b>248.183</b> |
| <b>Capital:</b>  |                |
| Capital Financing Reserve (at least 75% Allocation of the Final Year-End Surplus Available for Distribution) | (186.116)      |
| <b>Operating Underfunded Liabilities and/or Reserve Funds:</b>   |                |
| Innovation Reserve Fund - Fund Future Efficiency Studies   | (0.849)        |
| Major Special Event Reserve Fund - Toronto Pan/Parapan Am Games (As Per Recommendations)                     | (12.200)       |
| Sick Leave Reserve Fund - Toronto Police Service   | (6.500)        |
| Police Legal Liabilities Reserve - Fund Future Liabilities   | (2.500)        |
| Insurance Reserve Fund - Mitigate Funding Pressure of Liabilities  | (10.000)       |
| Social Assistance Stabilization Reserve  | (10.500)       |
| Commodity Price Stabilization Reserve  | (1.018)        |
| Corporate Extreme Weather Reserve  | (11.000)       |
| Election Reserve Fund - Funding for Municipal Elections  | (2.500)        |
| Employee Benefits Reserve Fund - Ensure Funding for Future Liabilities                                       | (5.000)        |
| Sub-Total  | (62.067)       |
| <b>Surplus Remaining/(Shortfall)</b>   | <b>(0.000)</b> |
| <b>2012 Year-End Net Operating Results - Rate Supported Programs (\$ Millions)</b>                           |                |
| <b>Toronto Water Final Year-End Surplus Available for Distribution</b>                                       | <b>50.000</b>  |
| Water Stabilization Reserve  | (22.295)       |
| Wastewater Stabilization Reserve   | (27.704)       |
| <b>Surplus Remaining/ (Shortfall)</b>  | <b>0.000</b>   |
| <b>Toronto Solid Waste Management Services Final Year-End Surplus Available for Distribution</b>             | <b>11.265</b>  |
| Waste Management Reserve Fund  | (11.265)       |
| <b>Surplus Remaining/ (Shortfall)</b>  | <b>0.000</b>   |

Appendices A, B and C attached summarize net expenditures, gross expenditures, and revenues, respectively. Appendix D provides detailed variance explanations for City Programs and Agencies for the twelve months ended December 31, 2012.

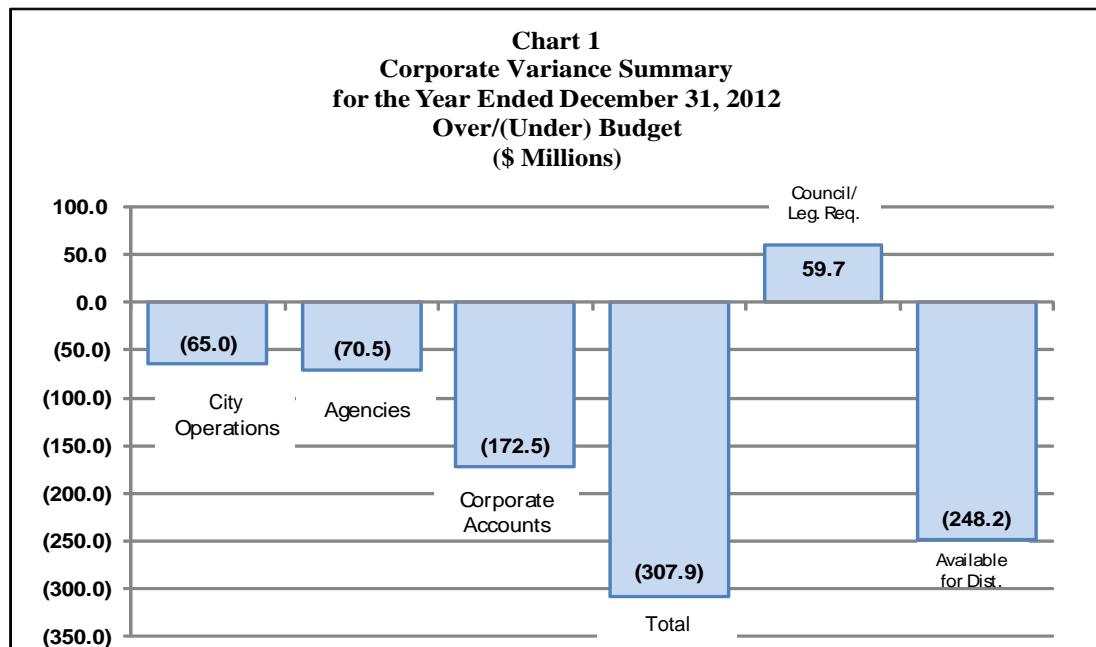
## ISSUE BACKGROUND

This report is provided pursuant to prudent financial management practices and budgetary control. As part of the City of Toronto's accountability framework, quarterly and year-end operating variance reports are submitted to Committees and Council, to provide information on

how the approved operating funds are being spent, and on an exceptions basis, to identify issues that require direction and/or decisions from Council.

## COMMENTS

As shown in Chart 1 below, City Tax Supported Operations reported a year-end favourable variance of \$307.917 million or 8.3% before Council/Legislative Requirements. As shown in Appendix A, a large majority of City Programs and Agencies reported favourable variances, which was indicative of staff commitment to effectively manage the City’s financial and human resources. The key contributors to the 2012 year-end positive financial position included the following:



After netting of the \$59.734 million for previous Council approved commitments and legislative requirements, the final year-end surplus available for distribution is \$248.183 million.

## Tax Supported Programs

*City Operations* realized net under-spending of \$65.0 million or 3.5% of planned expenditures for the year ended December 31, 2012. Major contributors to the net under-expenditure included the following:

- *Toronto Employment and Social Services*’ net under-spending of \$11.719 million or 6.2% due primarily from lower than anticipated average monthly caseload (104,069 actual versus 108,500 budgeted), caseload mix (higher proportion of singles as compared to families) and lower special diet expenditures.
- *Transportation Services*’ net under-spending of \$8.769 million or 4.3% largely driven by lower than planned gross expenditures for contractor costs (road and sidewalk ploughing) as a result of mild winter weather in 2012 and road and bridge maintenance contracts in addition to savings in salaries and benefits arising from vacancies that were not filled.

- *Parks, Forestry and Recreation's* net under-spending of \$7.572 million or 2.8% due largely to savings in salaries and benefits for seasonal and permanent positions, materials and supplies, as well as implemented efficiencies in various program areas such as summer camps.
- *Toronto Building's* net under-spending of \$5.736 million or 52.0% mainly as a result of savings in salaries and benefits from 52 vacancies mostly for permanent full time staff.
- *Long-Term Care Homes and Services' (LTCHS)* reported net under-spending of \$4.741 million or 10.4%, reflecting delays in the confirmation of Provincial funding that resulted in service-volume reductions in the long-term care and community programs that were lower than budget.
- *Information and Technology's* net under-spending of \$4.429 million or 6.9% mainly from savings in salaries and benefits arising from vacancies that were not filled.
- *City Manager's Office's* net under-spending of \$3.603 million or 8.9% due largely to savings in salaries and benefits arising from vacancies that were not filled.

The net under-spending, as noted above, was partially offset by the following over-expenditures:

- *Fire Services' net over-expenditure of \$1.879 million or 0.5% primarily due to unrealized revenues from chargeable false alarms.*
- *Economic Development and Culture's net over-spending of \$0.919 million or 2.1% mainly due to unachieved service efficiencies and alternative service delivery budget reduction for Cultural Services.*
- *Engineering and Construction Services' net over-expenditure of \$0.894 million or 10.8% mainly due to underachieved revenues from client recoveries for capital projects.*

**City Agencies** collectively contributed \$70.455 million to the 2012 final year-end positive position, primarily due to the following:

- *Toronto Transit Commission's (Conventional Services) net under-spending of \$40.954 million or 10.0% due largely to savings of \$24.171 million or 1.6% from lower market prices of diesel fuel, electricity and natural gas as well as lower consumption of energy and natural gas due to the milder weather earlier in 2012. Planned revenue was \$16.783 million or 1.6% above budget mostly as a result of higher than expected ridership, with 514 million rides provided compared to a budget of 503 million riders; reflecting an increase of 11 million rides in 2012.*
- *Toronto Police Service's net under-expenditure of \$15.483 million or 1.7% due to savings from members on unpaid leave; materials; and, supplies. In addition, revenues were higher than planned from increased background checking requests; paid duty administration fees; recoveries from overseas secondments; and, additional grant funding.*
- *Toronto Public Library's net under-expenditure of \$5.704 million or 3.5% resulting largely from savings due to the March 2012 labour disruption.*
- *Exhibition Place's net under-spending of \$4.621 million due to lower costs for BMO Field and implementation of various efficiencies in addition to increased revenue from events as a result of good weather.*
- *Toronto Public Health's net under-spending of \$2.286 million or 4.8% due in large part to savings in salaries and benefits arising from vacancies that were not filled.*

**Corporate Accounts** net under-expenditure of \$172.461 million for the year ended December 31, 2012 was attributed to the following:

- **Capital and Corporate Financing** was under-spent by \$1.970 million or 0.3% due to less funds being borrowed than planned and favourable interest rates.
- **Non-Program Expenditures** were under-spent by \$37.390 million or 7.2% at year-end. The key contributors to the savings included the following:
  - Other Corporate Expenditures: Under-expenditure of \$26.548 million or 34.2% arising from the negotiated wage savings for CUPE Local 416 and Local 79. It should be noted that about half (\$13.6 million) of the wage savings for CUPE Local 79 and Local 416 staff has been earmarked to fund the negotiated 1.5% one-time non-base non-pensionable lump sum payment and increase to the employer health tax in 2013.
  - Vacancy Rebate Program: Lower than planned vacancy rebates resulted in savings of \$5.477 million or 24.9%.
  - Solid Waste Management Rebates: Lower than planned number of households and multi-residential units receiving a solid waste management rebate resulted in savings of \$3.872 million or 2.1%.

The favourable year-end saving noted above were partially offset by over-spending by Parking Tag Enforcement Operations of \$1.172 million or 2.0% due to higher than planned salaries and benefits arising from an increase in their complement by 15 unapproved positions. Parking Enforcement Officers are hired and trained as a class. Hiring usually results in Parking Enforcement Unit (PEU) being over its approved strength for part of the year and under for the remaining part of the year. However, PEU ensures that it hires the appropriate number of officers so that, on average, it expects to be at full complement of officers during the year.

- **Non-Program Revenues** realized a favourable variance of \$133.102 million or 13.2%. The positive year-end variance was attributed to the following:
  - Municipal Land Transfer Tax: A higher than expected number of property sales and values generated \$344.469 million in 2012, representing higher than planned revenues of \$56.180 million or 19.5% compared to the 2012 Approved Net Budget of \$288.290 million.
  - Third Party Sign Tax: Revenues were \$22.446 million higher than the 2012 Approved Net Budget of \$1.582 million. The net positive variance for 2012 reflects the collection of retroactive Third Party Sign Taxes, now that the Supreme Court of Canada has not granted leave to appeal the Ontario Court of Appeal's decision on April 2, 2012 that the Third Party Sign Tax may be applied to all signs regardless of the date they were installed, enabling the City to retroactively bill for past due payments.
  - Interest/Investment Earnings: A more robust cash flow during 2012, which allowed more income generated from short-term investments, combined with relatively favourable interest rates and capital gains from the sale of investments, resulted in an extra \$22.057 million or 19.4% in revenue.
  - Parking Tag Enforcement and Operations: Revenues were \$13.992 million or 17.3% above planned due to more parking ticket payments during the year and an increase in the number of trials scheduled in 2012 where the offender opted to pay the full fine.

- Payments in Lieu of Taxes: Revenues were \$12.863 million or 14.0% higher than planned primarily as a result of lower than anticipated appeals in addition to assessment based revenues being higher than budgeted.
- Toronto Parking Authority: Revenues were \$6.625 million or 14.9% higher than planned due to a \$12.000 million one-time dividend payment by the Authority, which will be transferred to the City Parking Reserve Fund and budgeted as a contribution in the Authority's 2013 and 2014 Non-Program Revenue Budget approved by Council. The one-time dividend payment was partially offset by a timing difference between a budgeted \$7.000 million in Authority revenue and actual recording of the revenues.
- Other Corporate Revenues: Revenues were \$5.040 million or 66.1% above planned largely from increased miscellaneous revenues (sale of scrap, other recoveries) and sundry revenues (tax repayments, HST rebates, unclaimed cheques, etc).
- Toronto Hydro Revenue: Revenues were \$2.966 million or 6.6% above the 2012 Approved Net Budget of \$45.000 million resulting from higher than planned Toronto Hydro net income for 2011. The 2012 budgeted revenue was based, in part, on Toronto Hydro's 2011 financial performance.

The favourable year-end revenues noted above were partially offset by a decline in Supplementary Taxes of \$10.613 million or 21.2% as a result of the number of properties assessed values included on the omitted supplementary rolls provided by MPAC throughout 2012 did not generate planned revenues.

### **Rate Supported Programs**

*Rate Supported Programs* were under-spent by \$63.186 million compared to budgeted net expenditures for the twelve-month period ended December 31, 2012.

*Toronto Water* reported net under-spending of \$50.0 million from lower than planned gross expenditures of \$33.866 million or 3.8% mainly due savings in salaries and benefits arising from vacancies that were not filled and lower electricity and natural gas prices. In addition, revenues were \$16.134 million or 1.8% above planned largely from increased water for sales; water and wastewater connections fees; recoveries associated with industrial waste and private water agreements; and, insurance claims and billing adjustments.

*Solid Waste Management Services* reported a favourable net variance of \$11.265 million resulting largely from lower than planned expenditures of \$15.140 million or 4.4% mainly due savings in salaries and benefits arising from vacancies that were not filled in collection and transfer operations. These savings partially offset a revenue short-fall of \$3.875 million or 1.1% primarily from lower than planned multi-residential user fees due to lower tonnages.

*Toronto Parking Authority* reported a favourable year-end net variance of \$1.921 million or 3.4% above the 2012 Approved Net Operating Budget of \$56.403 million. The favourable variance was driven by higher than planned revenues of \$3.577 million or 2.8% mostly from rate increases implemented in August and September of 2012. The increased revenue was partially offset by higher rent expenses of \$1.656 million or 2.3% for managed lots which are determined as a percentage of the income generated from the lots.



## Allocation of Surplus – Tax Supported Operations

The 2012 preliminary year-end operating results for Tax Supported Operations of \$307.917 million is reduced for the following Council pre-approved items and other legislative requirements:

### Council/Legislated Requirements:

1. **Exhibition Place Stabilization Reserve:**  
City Council, at its meeting of March 5, 2012, authorized the placement of any surplus in excess of the Council approved budget for the Canadian National Exhibition Association (CNEA) Program, which forms part of the Exhibition Place Operating Budget, in 2011 and 2012 into the Exhibition Place Stabilization Reserve for the sole purpose of assisting the CNEA to become independent from the Board and the City in 2013, and authorized, for this purpose, a temporary exemption from the City's Surplus Management Policy. In accordance with Council's direction, \$1.855 million of the Exhibition Place operating surplus will be allocated to the Exhibition Place Stabilization Reserve.
2. **Exhibition Place Conference Centre Reserve Fund:**  
City Council, at its meeting of January 17, 2012, reaffirmed the policy that Exhibition Place continues to contribute future operating budget surpluses (if any) to the Exhibition Place Conference Centre Reserve Fund. The Reserve Fund provides financing for short-falls in loan payments to the City from Exhibition Place for a new conference centre. In accordance with Council's direction, \$2.764 million of the Exhibition Place operating surplus will be allocated to the Exhibition Place Conference Centre Reserve Fund.
3. **Toronto Culture and Arts Funding:**  
City Council, at its meeting of January 15 and 16, 2013, authorized that the 2012 year-end additional revenue from the Third Party Sign Tax of \$22.446 million be earmarked to fund a multi-year strategy to phase in an increase to the City of Toronto's per capita cultural funding. In accordance with Council's direction, \$22.446 million in additional revenue from the Third Party Sign Tax will be transferred to the Tax Rate Stabilization Reserve to provide transition funding for Toronto's culture and arts program.
4. **Development Application Review Fees Reserve Fund:**  
As part of the 2012 Approved Operating Budget, City Council adopted a report entitled Development Application Review Fees which among other things increased development application fees to fully recover the City's cost of delivering this service. Included in these costs is an anticipated contribution to a capital reserve for capital projects that support development activity. Council at its meeting of November 27, 2012 approved the establishment of the Development Application Review Fees Reserve Fund to provide funding for capital projects that support development activity. In accordance with Council's direction, \$0.491 million of the operating surplus from development application review fees will be transferred to the Development Application Review Fees Reserve Fund.
5. **Building Code Act Services Improvement Reserve Fund:**  
In accordance with Section 7 of the Building Code Act, the 2012 net operating positive variance of \$5.736 million from Toronto Building operations must be contributed to the Building Code Act Services Improvement Reserve Fund. Section 7 of the Act stipulates that

the total amount of authorized fees collected must not exceed the anticipated reasonable costs to administer and enforce this Act. It also requires the establishment of an obligatory reserve fund to manage fluctuations in volumes of permit activity and allow for investments in service delivery improvements to meet new legislative requirements of the Act regarding the collection of permit fees, expenditures and related reporting requirements.

6. 2012 CUPE Local 416 and Local 79 Negotiated Settlements and 2013 One-Time Cost:  
City Council, at its meeting of January 15 and 16, 2013, authorized that savings realized from the 2012 CUPE Local 416 and 79 Negotiated Settlements be embarked to fund the one-time non-pensionable 1.50% lump sum payment and employer health tax for unionized employees. In accordance with Council's direction, \$13.593 million of the operating surplus will be allocated to fund 2013 one-time non-pensionable 1.50% lump sum payment and employer health tax for Local 416 and Local 79 employees.
7. City Parking Reserve Fund:  
City Council, at its meeting of January 15 and 16, 2013, authorized that the one-time dividend payment of \$12.000 million received from the Toronto Parking Authority in excess of their capital planning requirements fund the Authority's 2013 and 2014 Non-Program Revenue Budget. In accordance with Council's direction, the \$12.000 million will be transferred to the Car Parking Reserve Fund, with \$6.0 million in 2013 and 2014 respectively earmarked to fund the Toronto Parking Authority's Non-Program Revenue Budget.
8. Council Transition Reserve Fund:  
City Council, at its meeting of January 17, 2012, eliminated future contributions to the Council Transition Reserve Fund through the annual Operating Budget process and instead directed any favourable variances of City Council's annual Operating Budget to the Reserve Fund to ensure adequate funding for future Council severance costs. In accordance with Council's direction, \$0.849 million of the City Council's operating surplus will be transferred to the Council Transition Reserve Fund.

Allocation of the 2012 Final Year-End Surplus Available for Distribution:

In accordance with the City's Surplus Management Policy, at least 75% of the 2012 final year-end surplus available for distribution will be allocated to the Capital Financing Reserve and the remaining will be allocated to underfunded liabilities and/or reserve funds.

Capital Allocation:

Capital Financing Reserve:

1. To provide funding for capital projects approved in the 2013 to 2022 Capital Plans for the Toronto Transit Commission and Transportation Services, \$186.116 million of the 2012 final year-end surplus available for distribution will be allocated to the Capital Financing Reserve.

Operating Allocation – Underfunded Liabilities and/or Reserve Funds:

2. The remaining \$62.067 million of the 2012 final year-end surplus available for distribution will be allocated to the following underfunded liabilities and/or reserve funds:

- a) Innovation Reserve Fund:  
The 2012 Approved Operating Budget for Service Efficiency Review Studies was \$0.849 million below the planned expenditure of \$2.750 million. To ensure adequate funding for future efficiency studies and in particular, to continue work on shared services review and implementation, \$0.849 million from the 2012 final year-end surplus available for distribution will be transferred to the Innovation Reserve Fund for future efficiency and core service review studies.
- b) Major Special Event Reserve Fund:  
Executive Committee, at its meeting of July 3, 2013, will consider the Toronto Pan/Parapan Am Games Host City Showcase Program and Major Special Event Reserve Fund Report. The Report recommends the establishment of a new Major Special Event Reserve Fund as a discretionary reserve fund, initially for the purpose of funding components of the Host City Showcase Program and thereafter to provide funding and budget stabilization for the non-recurring bidding, municipal service delivery and/or enhanced City programming costs associated with major special events. As per the recommendations outlined in the Report, \$12.2 million of the year-end favourable variance will be contributed to the Major Special Event Reserve Fund to fund these initiatives.
- c) Sick Leave Reserve Fund:  
The Sick Leave Reserve Fund is currently underfunded. Accumulated sick time credits payable to Toronto Police Service personnel upon retirement is a major pressure on the Reserve Fund and recent contributions have been significantly less than the withdrawals, therefore \$6.500 million of the Toronto Police Services' surplus will be allocated to the Sick Leave Reserve Fund. This is in addition to \$4.106 million that was contributed previously for 2012 through the Budget.
- d) Police Legal Liabilities Reserve Fund:  
Considering the current balance of the Police Legal Liabilities Reserve Fund, planned contributions and potential exposure, the Police Legal Liabilities Reserve Fund will be underfunded by 2015. Therefore, \$2.500 million of the Toronto Police Services' surplus will be allocated to this Reserve Fund. This is in addition to \$1.191 million that was contributed previously for 2012 through the annual budget process.
- e) Insurance Reserve Fund:  
The Insurance Reserve Fund year-end balance for 2012 was \$17 million and projected to be \$21 million for year-ending 2013. In recent years, costs have continually risen. The prudent target for this account is \$35 million (7 events of \$5 million each). To lessen the pressure of future insurance liabilities and on future operating budgets to reach the target balance, \$10.000 million of the 2012 final year-end surplus available for distribution will be transferred to the Insurance Reserve Fund.
- f) Social Assistance Stabilization Reserve:  
To provide funding to stabilize social assistance costs resulting from changes in caseload, \$10.500 million of the year-end positive variance for Toronto Employment and Social Services will be transferred to the Social Assistance Stabilization Reserve.

- g) **Commodity Price Stabilization Reserve:**  
To ensure funding to moderate the budgetary impact of commodities that are purchased in accordance with the City's Statement of Commodity Hedging Policies and Goals, Fleet Services' operating surplus of \$1.018 million will be transferred to the Commodity Price Stabilization Reserve.
- h) **Corporate Extreme Weather Reserve:**  
In order to mitigate the financial impacts arising from extreme weather conditions on the operating and capital budgets of the Parks, Forestry and Recreation Division or any other City program which does not have a stabilization reserve, \$11.000 million, including Parks, Forestry and Recreation Division's surplus of \$7.572 million surplus, will be transferred to the Corporate Extreme Weather Reserve.
- i) **Election Reserve Fund:**  
In order to mitigate future funding pressures for the cost of municipal elections, \$2.500 million of the 2012 final year-end surplus available for distribution will be allocated to the Election Reserve Fund.
- j) **Employee Benefits Reserve Fund:**  
In order to mitigate future funding pressures for the benefit costs of employee and retirees, \$5.000 million of the 2012 final year-end surplus available for distribution will be allocated to the Employee Benefits Reserve Fund.

#### Allocation of Surplus – Rate Supported Operations

The 2012 preliminary year-end operating results for Rate Supported Operations of \$63.186 million will be allocated based on the following:

##### Toronto Water:

To ensure funding to offset unanticipated budget variance so not as to unduly impact the Water and Waste Water Operating and Capital Programs, Toronto Water's operating surplus of \$50.0 million will be transferred to the Wastewater Stabilization Reserve (\$27.704 million) and Water Stabilization Reserve (\$22.295 million).

##### Solid Waste Management Services:

Solid Waste Management Services' operating surplus of \$11.265 million will be transferred to the Waste Management Reserve Fund. Solid Waste Management Services utilizes this Reserve Fund to finance capital projects which include waste diversion initiatives. This Reserve Fund also provides a contingency for operating program stabilization, as required.

#### Approved Positions

The City of Toronto budgets and monitors its staff complement based on Approved Positions. As at December 31, 2012, the City reported 45,047.1 full-time approved positions (42,838.8 permanent and 2,208.3 casual/seasonal) and 4,144.2 part-time approved positions (1,784.0 permanent and 2,360.2 casual/seasonal). This reflects a decrease of 2,622.6 positions or 5.1% lower than the 2012 Council Approved Positions and was primarily attributed to delays and hiring slowdown in filling vacant positions, as well as seasonal fluctuations.

#### Consulting Costs

The 2012 budget for consulting costs was \$6.754 million gross. Actual consulting costs totalled \$3.002 million gross, resulting in a favourable variance of \$2.596 million gross or 38.4% as at December 31, 2012.

### Utility Costs

As at December 31, 2012, tax and rate supported operations reported actual utility costs of \$165.426 million gross compared to the planned expenditures of \$184.575 million gross, resulting in a favourable variance of \$19.148 million gross or 10.4%. The under-expenditure in utility costs is primarily the result of lower than planned distribution rates.

## **CONTACT**

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## **SIGNATURE**

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Roberto Rossini  
Deputy City Manager and Chief Financial Officer

## **ATTACHMENTS**

Appendix A – Net Expenditures for Year Ended December 31, 2012  
Appendix B – Gross Expenditures for Year Ended December 31, 2012  
Appendix C – Revenues for Year Ended December 31, 2012  
Appendix D – Significant City Programs/Agencies Variance Explanations



**CITY OF TORONTO**  
**CONSOLIDATED NET EXPENDITURES VARIANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(\$000s)**

Appendix A

|   | December 31, 2012  |                    |                   |              |
|---|--------------------|--------------------|-------------------|--------------|
|   | Year-End           |                    | Actual vs Budget  |              |
|   | Budget             | Actual             | Over / (Under)    | %            |
| <b>Citizen Centred Services "A"</b>           |                    |                    |                   |              |
| Affordable Housing Office                     | 1,166.1            | 1,088.5            | (77.6)            | -6.7%        |
| Children's Services                           | 76,270.0           | 76,270.0           | 0.0               | 0.0%         |
| Court Services                                | (13,904.6)         | (14,301.8)         | (397.2)           | 2.9%         |
| Economic Development & Culture                | 43,993.1           | 44,911.6           | 918.5             | 2.1%         |
| Emergency Medical Services                    | 65,177.6           | 64,576.2           | (601.4)           | -0.9%        |
| Long Term Care Homes and Services             | 45,654.0           | 40,912.6           | (4,741.4)         | -10.4%       |
| Parks, Forestry & Recreation                  | 270,961.8          | 263,389.4          | (7,572.4)         | -2.8%        |
| Shelter, Support & Housing Administration     | 274,219.5          | 271,634.7          | (2,584.8)         | -0.9%        |
| Social Development, Finance & Administration  | 26,898.0           | 26,614.8           | (283.2)           | -1.1%        |
| Toronto Employment & Social Services          | 187,973.3          | 176,254.7          | (11,718.6)        | -6.2%        |
| 311 Toronto                                   | 10,395.2           | 8,184.7            | (2,210.5)         | -21.3%       |
| <b>Sub-Total Citizen Centred Services "A"</b> | <b>988,804.0</b>   | <b>959,535.4</b>   | <b>(29,268.7)</b> | <b>-3.0%</b> |
| <b>Citizen Centred Services "B"</b>           |                    |                    |                   |              |
| City Planning                                 | 14,046.3           | 11,200.8           | (2,845.6)         | -20.3%       |
| Fire Services                                 | 354,886.4          | 356,765.7          | 1,879.3           | 0.5%         |
| Municipal Licensing & Standards               | 19,314.0           | 18,070.4           | (1,243.6)         | -6.4%        |
| Policy, Planning, Finance and Administration  | 9,470.4            | 8,396.8            | (1,073.7)         | -11.3%       |
| Engineering & Construction Services           | 8,249.5            | 9,143.0            | 893.5             | 10.8%        |
| Toronto Building                              | (11,030.9)         | (16,766.5)         | (5,735.6)         | 52.0%        |
| Toronto Environment Office                    | 2,585.5            | 2,066.5            | (518.9)           | -20.1%       |
| Transportation Services                       | 205,468.2          | 196,699.7          | (8,768.5)         | -4.3%        |
| <b>Sub-Total Citizen Centred Services "B"</b> | <b>602,989.4</b>   | <b>585,576.3</b>   | <b>(17,413.2)</b> | <b>-2.9%</b> |
| <b>Internal Services</b>                      |                    |                    |                   |              |
| Office of the Chief Financial Officer         | 8,837.0            | 8,460.5            | (376.5)           | -4.3%        |
| Office of the Treasurer                       | 29,152.1           | 26,418.7           | (2,733.4)         | -9.4%        |
| Facilities Management & Real Estate           | 59,134.6           | 56,428.7           | (2,705.9)         | -4.6%        |
| Fleet Services                                | 76.9               | (941.1)            | (1,018.0)         | -1323.8%     |
| Information & Technology                      | 64,431.5           | 60,002.8           | (4,428.7)         | -6.9%        |
| <b>Sub-Total Internal Services</b>            | <b>161,632.0</b>   | <b>150,369.6</b>   | <b>(11,262.4)</b> | <b>-7.0%</b> |
| <b>City Manager</b>                           |                    |                    |                   |              |
| City Manager's Office                         | 40,587.8           | 36,984.8           | (3,603.0)         | -8.9%        |
| <b>Sub-Total City Manager</b>                 | <b>40,587.8</b>    | <b>36,984.8</b>    | <b>(3,603.0)</b>  | <b>-8.9%</b> |
| <b>Other City Programs</b>                    |                    |                    |                   |              |
| City Clerk's Office                           | 30,489.5           | 30,151.0           | (338.5)           | -1.1%        |
| Legal Services                                | 19,175.5           | 17,871.4           | (1,304.1)         | -6.8%        |
| Mayor's Office                                | 1,940.5            | 1,551.2            | (389.3)           | -20.1%       |
| City Council                                  | 19,385.1           | 18,535.8           | (849.3)           | -4.4%        |
| <b>Sub-Total Other City Programs</b>          | <b>70,990.6</b>    | <b>68,109.5</b>    | <b>(2,881.1)</b>  | <b>-4.1%</b> |
| <b>Accountability Offices</b>                 |                    |                    |                   |              |
| Auditor General's Office                      | 4,354.4            | 4,043.9            | (310.5)           | -7.1%        |
| Integrity Commissioner's Office               | 215.0              | 210.1              | (4.8)             | -2.3%        |
| Lobbyist Registrar's Office                   | 1,072.3            | 847.4              | (225.0)           | -21.0%       |
| Ombudsman's Office                            | 1,444.8            | 1,413.3            | (31.5)            | -2.2%        |
| <b>Sub-Total Council Appointed Programs</b>   | <b>7,086.5</b>     | <b>6,514.7</b>     | <b>(571.8)</b>    | <b>-8.1%</b> |
| <b>TOTAL - CITY OPERATIONS</b>                | <b>1,872,090.5</b> | <b>1,807,090.3</b> | <b>(65,000.2)</b> | <b>-3.5%</b> |

**CITY OF TORONTO**  
**CONSOLIDATED NET EXPENDITURES VARIANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(\$000s)**

|  | December 31, 2012    |                      |                    |                |
|--|----------------------|----------------------|--------------------|----------------|
|  | Year-End             |                      | Actual vs Budget   |                |
|  | Budget               | Actual               | Over / (Under)     | %              |
| <b>Agencies</b>                                    |                      |                      |                    |                |
| Toronto Public Health                              | 47,915.2             | 45,629.7             | (2,285.5)          | -4.8%          |
| Toronto Public Library                             | 164,778.2            | 159,074.7            | (5,703.5)          | -3.5%          |
| Association of Community Centres                   | 6,768.2              | 6,901.2              | 133.0              | 2.0%           |
| Exhibition Place                                   | 2.4                  | (4,618.8)            | (4,621.2)          | -192550.0%     |
| Heritage Toronto                                   | 311.8                | 311.8                | 0.0                | 0.0%           |
| Theatres   | 2,981.0              | 3,395.0              | 414.0              | 13.9%          |
| Toronto Zoo  | 11,110.7             | 11,063.7             | (47.0)             | -0.4%          |
| Arena Boards of Management                         | (7.5)                | 114.6                | 122.1              | -1636.4%       |
| Yonge Dundas Square                                | 463.7                | 222.6                | (241.1)            | -52.0%         |
| Toronto & Region Conservation Authority            | 3,206.4              | 3,206.4              | 0.0                | 0.0%           |
| Toronto Transit Commission - Conventional          | 410,951.0            | 369,997.0            | (40,954.0)         | -10.0%         |
| Toronto Transit Commission - Wheel Trans           | 96,823.0             | 95,067.0             | (1,756.0)          | -1.8%          |
| Toronto Police Service                             | 935,662.2            | 920,179.2            | (15,483.0)         | -1.7%          |
| Toronto Police Services Board                      | 2,251.6              | 2,218.5              | (33.1)             | -1.5%          |
| <b>TOTAL - AGENCIES</b>                            | <b>1,683,218.0</b>   | <b>1,612,762.6</b>   | <b>(70,455.4)</b>  | <b>-4.2%</b>   |
| <b>Corporate Accounts</b>                          |                      |                      |                    |                |
| Capital & Corporate Financing                      | 624,105.6            | 622,136.1            | (1,969.6)          | -0.3%          |
| <u>Non-Program Expenditures</u>                    |                      |                      |                    |                |
| - Tax Deficiencies/Write-offs                      | 65,000.0             | 62,729.5             | (2,270.5)          | -3.5%          |
| - Assessment Function (MPAC)                       | 38,174.0             | 38,078.5             | (95.5)             | -0.3%          |
| - Temporary Borrowing                              | 0.0                  | 0.0                  | 0.0                | n/a            |
| - Funding of Employee Related Liabilities          | 71,940.5             | 71,941.4             | 0.9                | 0.0%           |
| - Other Corporate Expenditures                     | 77,637.0             | 51,089.1             | (26,547.9)         | -34.2%         |
| - Insurance Premiums & Claims                      | 300.0                | 300.0                | 0.0                | 0.0%           |
| - Parking Tag Enforcement & Oper.                  | 57,692.5             | 58,864.2             | 1,171.7            | 2.0%           |
| - Vacancy Rebate Program                           | 22,000.0             | 16,523.1             | (5,476.9)          | -24.9%         |
| - Heritage Property Taxes Rebate                   | 2,000.0              | 1,700.0              | (300.0)            | -15.0%         |
| - Solid Waste Management Rebates                   | 182,391.9            | 178,520.2            | (3,871.7)          | -2.1%          |
| - Pandemic Influenza Stockpiling                   | 1,335.0              | 1,335.0              | 0.0                | 0.0%           |
| <b>Non-Program Expenditures</b>                    | <b>518,470.9</b>     | <b>481,081.0</b>     | <b>(37,389.9)</b>  | <b>-7.2%</b>   |
| <u>Non-Program Revenue</u>                         |                      |                      |                    |                |
| - Payments in Lieu of Taxes                        | (92,200.0)           | (105,063.3)          | (12,863.3)         | 14.0%          |
| - Supplementary Taxes                              | (50,000.0)           | (39,386.8)           | 10,613.2           | -21.2%         |
| - Tax Penalties                                    | (29,000.0)           | (30,334.5)           | (1,334.5)          | 4.6%           |
| - Interest/Investment Earnings                     | (113,623.1)          | (135,680.5)          | (22,057.3)         | 19.4%          |
| - Prior Year Surplus                               | (101,748.7)          | (101,748.7)          | 0.0                | 0.0%           |
| - Other Corporate Revenues                         | (7,627.6)            | (12,667.3)           | (5,039.7)          | 66.1%          |
| - Toronto Hydro Revenues                           | (45,000.0)           | (47,966.0)           | (2,966.0)          | 6.6%           |
| - Provincial Revenue                               | (91,600.0)           | (91,600.0)           | 0.0                | 0.0%           |
| - Municipal Land Transfer Tax                      | (288,289.7)          | (344,469.3)          | (56,179.6)         | 19.5%          |
| - Third Party Sign Tax                             | (1,581.5)            | (24,027.6)           | (22,446.1)         | 1419.3%        |
| - Parking Authority Revenues                       | (44,315.2)           | (50,939.8)           | (6,624.6)          | 14.9%          |
| - Administrative Support Recoveries - Water        | (18,973.0)           | (18,973.0)           | 0.0                | 0.0%           |
| - Administrative Support Recoveries - Health & EMS | (16,326.7)           | (16,326.7)           | 0.0                | 0.0%           |
| - Parking Tag Enforcement & Oper.                  | (80,649.4)           | (94,641.3)           | (13,991.9)         | 17.3%          |
| - Other Tax Revenues                               | (14,395.0)           | (14,396.0)           | (1.0)              | 0.0%           |
| - Woodbine Slots                                   | (14,900.0)           | (15,110.9)           | (210.9)            | 1.4%           |
| <b>Non-Program Revenues</b>                        | <b>(1,010,229.9)</b> | <b>(1,143,331.6)</b> | <b>(133,101.7)</b> | <b>13.2%</b>   |
| <b>TOTAL - CORPORATE ACCOUNTS</b>                  | <b>132,346.6</b>     | <b>(40,114.6)</b>    | <b>(172,461.2)</b> | <b>-130.3%</b> |
| <b>NET OPERATING TAX LEVY</b>                      | <b>3,687,655.0</b>   | <b>3,379,738.3</b>   | <b>(307,916.8)</b> | <b>-8.3%</b>   |
| <b>NON LEVY OPERATIONS</b>                         |                      |                      |                    |                |
| Solid Waste Management Services                    | 0.0                  | (11,265.1)           | (11,265.1)         | n/a            |
| Toronto Parking Authority                          | (56,403.0)           | (58,324.0)           | (1,921.0)          | 3.4%           |
| Toronto Water                                      | 0.0                  | (49,999.6)           | (49,999.6)         | n/a            |
| <b>NON LEVY OPERATING NET EXPENDITURES</b>         | <b>(56,403.0)</b>    | <b>(119,588.7)</b>   | <b>(63,185.7)</b>  | <b>112.0%</b>  |

**CITY OF TORONTO**  
**CONSOLIDATED GROSS EXPENDITURES VARIANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
 (\$'000s)

|   | December 31, 2012  |                    |                                    |              |
|---|--------------------|--------------------|------------------------------------|--------------|
|   | Year-End<br>Budget | Actual             | Actual vs Budget<br>Over / (Under) | %            |
| <b>Citizen Centred Services "A"</b>           |                    |                    |                                    |              |
| Affordable Housing Office                     | 2,599.6            | 2,363.6            | (235.9)                            | -9.1%        |
| Children's Services                           | 397,644.0          | 383,804.0          | (13,840.0)                         | -3.5%        |
| Court Services                                | 52,324.3           | 54,258.5           | 1,934.2                            | 3.7%         |
| Economic Development & Culture                | 56,158.2           | 55,950.4           | (207.8)                            | -0.4%        |
| Emergency Medical Services                    | 174,487.5          | 172,927.2          | (1,560.3)                          | -0.9%        |
| Long Term Care Homes & Services               | 226,862.5          | 215,771.2          | (11,091.4)                         | -4.9%        |
| Parks, Forestry & Recreation                  | 385,120.4          | 370,965.6          | (14,154.8)                         | -3.7%        |
| Shelter, Support & Housing Administration     | 809,015.3          | 764,301.5          | (44,713.8)                         | -5.5%        |
| Social Development, Finance & Administration  | 33,298.9           | 31,581.8           | (1,717.1)                          | -5.2%        |
| Toronto Employment & Social Services          | 1,219,643.6        | 1,130,435.8        | (89,207.8)                         | -7.3%        |
| 311 Toronto                                   | 18,476.2           | 14,971.7           | (3,504.5)                          | -19.0%       |
| <b>Sub-Total Citizen Centred Services "A"</b> | <b>3,375,630.5</b> | <b>3,197,331.3</b> | <b>(178,299.2)</b>                 | <b>-5.3%</b> |
| <b>Citizen Centred Services "B"</b>           |                    |                    |                                    |              |
| City Planning                                 | 38,824.7           | 34,809.2           | (4,015.4)                          | -10.3%       |
| Fire Services                                 | 370,125.8          | 370,088.0          | (37.9)                             | 0.0%         |
| Municipal Licensing & Standards               | 47,463.4           | 43,891.2           | (3,572.2)                          | -7.5%        |
| Policy, Planning, Finance and Administration  | 20,773.5           | 18,457.6           | (2,315.8)                          | -11.1%       |
| Engineering & Construction Services           | 70,502.6           | 58,738.9           | (11,763.7)                         | -16.7%       |
| Toronto Buildings                             | 46,735.6           | 41,257.1           | (5,478.5)                          | -11.7%       |
| Toronto Environment Office                    | 5,857.3            | 4,348.4            | (1,508.9)                          | -25.8%       |
| Transportation Services                       | 328,185.0          | 294,617.5          | (33,567.5)                         | -10.2%       |
| <b>Sub-Total Citizen Centred Services "B"</b> | <b>928,467.9</b>   | <b>866,207.9</b>   | <b>(62,260.0)</b>                  | <b>-6.7%</b> |
| <b>Internal Services</b>                      |                    |                    |                                    |              |
| Office of the Chief Financial Officer         | 16,436.7           | 14,042.8           | (2,393.9)                          | -14.6%       |
| Office of the Treasurer                       | 73,695.5           | 66,747.4           | (6,948.1)                          | -9.4%        |
| Facilities Management & Real Estate           | 177,532.6          | 162,329.1          | (15,203.5)                         | -8.6%        |
| Fleet Services                                | 47,729.6           | 47,043.0           | (686.6)                            | -1.4%        |
| Information & Technology                      | 97,689.4           | 82,718.5           | (14,970.9)                         | -15.3%       |
| <b>Sub-Total Internal Services</b>            | <b>413,083.8</b>   | <b>372,880.8</b>   | <b>(40,203.0)</b>                  | <b>-9.7%</b> |
| <b>City Manager</b>                           |                    |                    |                                    |              |
| City Manager's Office                         | 48,686.1           | 44,328.0           | (4,358.0)                          | -9.0%        |
| <b>Sub-Total City Manager</b>                 | <b>48,686.1</b>    | <b>44,328.0</b>    | <b>(4,358.0)</b>                   | <b>-9.0%</b> |
| <b>Other City Programs</b>                    |                    |                    |                                    |              |
| City Clerk's Office                           | 48,085.9           | 46,418.6           | (1,667.3)                          | -3.5%        |
| Legal Services                                | 42,166.4           | 46,030.8           | 3,864.5                            | 9.2%         |
| Mayor's Office                                | 1,940.5            | 1,551.2            | (389.3)                            | -20.1%       |
| City Council                                  | 19,385.1           | 18,755.2           | (629.9)                            | -3.2%        |
| <b>Sub-Total Other City Programs</b>          | <b>111,577.9</b>   | <b>112,755.9</b>   | <b>1,177.9</b>                     | <b>1.1%</b>  |
| <b>Accountability Offices</b>                 |                    |                    |                                    |              |
| Auditor General's Office                      | 4,354.4            | 4,043.9            | (310.5)                            | -7.1%        |
| Integrity Commissioner's Office               | 215.0              | 210.1              | (4.8)                              | -2.2%        |
| Lobbyist Registrar's Office                   | 1,081.3            | 855.4              | (225.9)                            | -20.9%       |
| Ombudsman's Office                            | 1,444.8            | 1,413.9            | (30.9)                             | -2.1%        |
| <b>Sub-Total Council Appointed Programs</b>   | <b>7,095.5</b>     | <b>6,523.4</b>     | <b>(572.2)</b>                     | <b>-8.1%</b> |
| <b>TOTAL - CITY OPERATIONS</b>                | <b>4,884,541.7</b> | <b>4,600,027.3</b> | <b>(284,514.4)</b>                 | <b>-5.8%</b> |



**CITY OF TORONTO**  
**CONSOLIDATED GROSS EXPENDITURES VARIANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
 (\$000s)

|  | December 31, 2012  |                        | Actual vs Budget   |              |
|--|--------------------|------------------------|--------------------|--------------|
|  | Year-End<br>Budget | Year-End<br>Projection | Over / (Under)     | %            |
| <b>Agencies</b>                                    |                    |                        |                    |              |
| Toronto Public Health                              | 240,085.8          | 226,724.1              | (13,361.7)         | -5.6%        |
| Toronto Public Library                             | 179,705.5          | 175,355.3              | (4,350.2)          | -2.4%        |
| Association of Community Centres                   | 7,032.2            | 7,184.0                | 151.8              | 2.2%         |
| Exhibition Place                                   | 64,772.7           | 62,393.2               | (2,379.5)          | -3.7%        |
| Heritage Toronto                                   | 884.6              | 692.0                  | (192.6)            | -21.8%       |
| Theatres   | 28,018.7           | 21,668.7               | (6,350.0)          | -22.7%       |
| Toronto Zoo  | 45,663.5           | 43,591.6               | (2,071.9)          | -4.5%        |
| Arena Boards of Management                         | 6,730.7            | 6,564.6                | (166.2)            | -2.5%        |
| Yonge Dundas Square                                | 1,965.3            | 2,332.2                | 366.9              | 18.7%        |
| Toronto & Region Conservation Authority            | 37,203.0           | 37,203.0               | 0.0                | 0.0%         |
| Toronto Transit Commission - Conventional          | 1,481,230.0        | 1,457,059.0            | (24,171.0)         | -1.6%        |
| Toronto Transit Commission - Wheel Trans           | 102,148.0          | 100,634.0              | (1,514.0)          | -1.5%        |
| Toronto Police Service                             | 1,012,031.2        | 1,007,964.6            | (4,066.6)          | -0.4%        |
| Toronto Police Services Board                      | 3,231.6            | 2,995.0                | (236.6)            | -7.3%        |
| <b>TOTAL - AGENCIES</b>                            | <b>3,210,702.8</b> | <b>3,152,361.3</b>     | <b>(58,341.6)</b>  | <b>-1.8%</b> |
| <b>Corporate Accounts</b>                          |                    |                        |                    |              |
| Capital & Corporate Financing                      | 639,127.3          | 648,604.5              | 9,477.2            | 1.5%         |
| <b>Non-Program Expenditures</b>                    |                    |                        |                    |              |
| - Tax Deficiencies/Write-offs                      | 65,000.0           | 62,729.5               | (2,270.5)          | -3.5%        |
| - Assessment Function (MPAC)                       | 38,174.0           | 38,078.5               | (95.5)             | -0.3%        |
| - Temporary Borrowing                              | 0.0                | 0.0                    | 0.0                | n/a          |
| - Funding of Employee Related Liabilities          | 71,940.5           | 71,941.4               | 0.9                | 0.0%         |
| - Other Corporate Expenditures                     | 86,742.2           | 55,146.1               | (31,596.1)         | -36.4%       |
| - Insurance Premiums & Claims                      | 300.0              | 300.0                  | 0.0                | 0.0%         |
| - Parking Tag Enforcement & Oper.                  | 57,692.5           | 58,864.2               | 1,171.7            | 2.0%         |
| - Programs Funded from Reserve Funds               | 141,659.2          | 133,276.3              | (8,382.9)          | -5.9%        |
| - Vacancy Rebate Program                           | 22,000.0           | 16,523.1               | (5,476.9)          | -24.9%       |
| - Heritage Property Taxes Rebate                   | 2,000.0            | 1,700.0                | (300.0)            | -15.0%       |
| - Tax Rebates for Registered Charities             | 5,329.1            | 5,394.7                | 65.6               | 1.2%         |
| - Solid Waste Management Rebates                   | 182,391.9          | 178,520.2              | (3,871.7)          | -2.1%        |
| - Street & Expressway Lighting Services            | 0.0                | 0.0                    | 0.0                | n/a          |
| - Pandemic Influenza Stockpiling                   | 1,335.0            | 1,335.0                | 0.0                | 0.0%         |
| <b>Non-Program Expenditures</b>                    | <b>674,564.4</b>   | <b>623,809.0</b>       | <b>(50,755.4)</b>  | <b>-7.5%</b> |
| <b>Non-Program Revenue</b>                         |                    |                        |                    |              |
| - Payments in Lieu of Taxes                        | 0.0                | 0.0                    | 0.0                | n/a          |
| - Supplementary Taxes                              | 0.0                | 0.0                    | 0.0                | n/a          |
| - Tax Penalties                                    | 0.0                | 0.0                    | 0.0                | n/a          |
| - Interest/Investment Earnings                     | 876.9              | 856.0                  | (20.9)             | -2.4%        |
| - Other Corporate Revenues                         | 918.0              | 864.1                  | (53.9)             | -5.9%        |
| - Toronto Hydro Revenues                           | 0.0                | 0.0                    | 0.0                | n/a          |
| - Provincial Revenue                               | 0.0                | 0.0                    | 0.0                | n/a          |
| - Municipal Land Transfer Tax                      | 5,934.1            | 5,376.8                | (557.3)            | -9.4%        |
| - Third Party Sign Tax                             | 0.0                | 0.0                    | 0.0                | n/a          |
| - Parking Authority Revenues                       | 0.0                | 0.0                    | 0.0                | n/a          |
| - Administrative Support Recoveries - Water        | 0.0                | 0.0                    | 0.0                | n/a          |
| - Administrative Support Recoveries - Health & EMS | 0.0                | 0.0                    | 0.0                | n/a          |
| - Parking Tag Enforcement & Oper.                  | 0.0                | 0.0                    | 0.0                | n/a          |
| - Other Tax Revenues                               | 0.0                | 757.7                  | 757.7              | n/a          |
| - Woodbine Slots                                   | 0.0                | 0.0                    | 0.0                | n/a          |
| <b>Non-Program Revenues</b>                        | <b>7,729.0</b>     | <b>7,854.6</b>         | <b>125.6</b>       | <b>1.6%</b>  |
| <b>TOTAL - CORPORATE ACCOUNTS</b>                  | <b>1,321,420.6</b> | <b>1,280,268.1</b>     | <b>(41,152.6)</b>  | <b>-3.1%</b> |
| <b>LEVY OPERATING GROSS EXPENDITURES</b>           | <b>9,416,665.2</b> | <b>9,032,656.6</b>     | <b>(384,008.6)</b> | <b>-4.1%</b> |
| <b>NON LEVY OPERATIONS</b>                         |                    |                        |                    |              |
| Solid Waste Management Services                    | 346,008.3          | 330,868.4              | (15,139.9)         | -4.4%        |
| Toronto Parking Authority                          | 72,326.9           | 73,983.4               | 1,656.5            | 2.3%         |
| Toronto Water                                      | 895,243.8          | 861,377.7              | (33,866.1)         | -3.8%        |
| <b>NON LEVY OPERATING GROSS EXPENDITURES</b>       | <b>1,313,579.0</b> | <b>1,266,229.5</b>     | <b>(47,349.5)</b>  | <b>-3.6%</b> |

**CITY OF TORONTO**  
**CONSOLIDATED REVENUES VARIANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(\$000s)**

|   | December 31, 2012  |                    |                    |               |
|---|--------------------|--------------------|--------------------|---------------|
|   | Year-End           |                    | Actual vs Budget   |               |
|   | Budget             | Actual             | Over / (Under)     | %             |
| <b>Citizen Centred Services "A"</b>           |                    |                    |                    |               |
| Affordable Housing Office                     | 1,433.4            | 1,275.1            | (158.3)            | -11.0%        |
| Children's Services                           | 321,374.0          | 307,534.0          | (13,840.0)         | -4.3%         |
| Court Services                                | 66,228.9           | 68,560.3           | 2,331.4            | 3.5%          |
| Economic Development & Culture                | 12,165.1           | 11,038.8           | (1,126.3)          | -9.3%         |
| Emergency Medical Services                    | 109,309.9          | 108,351.0          | (958.9)            | -0.9%         |
| Long Term Care Homes and Services             | 181,208.5          | 174,858.6          | (6,349.9)          | -3.5%         |
| Parks, Forestry & Recreation                  | 114,158.6          | 107,576.2          | (6,582.4)          | -5.8%         |
| Shelter, Support & Housing Administration     | 534,795.8          | 492,666.8          | (42,129.0)         | -7.9%         |
| Social Development, Finance & Administration  | 6,400.9            | 4,967.0            | (1,433.9)          | -22.4%        |
| Toronto Employment & Social Services          | 1,031,670.3        | 954,181.1          | (77,489.2)         | -7.5%         |
| 311 Toronto                                   | 8,081.0            | 6,787.0            | (1,294.0)          | -16.0%        |
| <b>Sub-Total Citizen Centred Services "A"</b> | <b>2,386,826.4</b> | <b>2,237,795.9</b> | <b>(149,030.5)</b> | <b>-6.2%</b>  |
| <b>Citizen Centred Services "B"</b>           |                    |                    |                    |               |
| City Planning                                 | 24,778.3           | 23,608.5           | (1,169.9)          | -4.7%         |
| Fire Services                                 | 15,239.4           | 13,322.3           | (1,917.1)          | -12.6%        |
| Municipal Licensing & Standards               | 28,149.4           | 25,820.8           | (2,328.6)          | -8.3%         |
| Policy, Planning, Finance and Administration  | 11,303.0           | 10,060.8           | (1,242.2)          | -11.0%        |
| Engineering & Construction Services           | 62,253.1           | 49,595.9           | (12,657.2)         | -20.3%        |
| Toronto Building                              | 57,766.5           | 58,023.6           | 257.1              | 0.4%          |
| Toronto Environment Office                    | 3,271.8            | 2,281.8            | (989.9)            | -30.3%        |
| Transportation Services                       | 122,716.9          | 97,917.9           | (24,799.0)         | -20.2%        |
| <b>Sub-Total Citizen Centred Services "B"</b> | <b>325,478.5</b>   | <b>280,631.6</b>   | <b>(44,846.8)</b>  | <b>-13.8%</b> |
| <b>Internal Services</b>                      |                    |                    |                    |               |
| Office of the Chief Financial Officer         | 7,599.8            | 5,582.4            | (2,017.4)          | -26.5%        |
| Office of the Treasurer                       | 44,543.4           | 40,328.7           | (4,214.7)          | -9.5%         |
| Facilities Management & Real Estate           | 118,398.0          | 105,900.4          | (12,497.6)         | -10.6%        |
| Fleet Services                                | 47,652.7           | 47,984.1           | 331.4              | 0.7%          |
| Information & Technology                      | 33,257.9           | 22,715.7           | (10,542.2)         | -31.7%        |
| <b>Sub-Total Internal Services</b>            | <b>251,451.8</b>   | <b>222,511.3</b>   | <b>(28,940.5)</b>  | <b>-11.5%</b> |
| <b>City Manager</b>                           |                    |                    |                    |               |
| City Manager's Office                         | 8,098.2            | 7,343.2            | (755.0)            | -9.3%         |
| <b>Sub-Total City Manager</b>                 | <b>8,098.2</b>     | <b>7,343.2</b>     | <b>(755.0)</b>     | <b>-9.3%</b>  |
| <b>Other City Programs</b>                    |                    |                    |                    |               |
| City Clerk's Office                           | 17,596.4           | 16,267.6           | (1,328.8)          | -7.6%         |
| Legal Services                                | 22,990.9           | 28,159.5           | 5,168.5            | 22.5%         |
| Mayor's Office                                | 0.0                | 0.0                | 0.0                | n/a           |
| City Council                                  | 0.0                | 219.4              | 219.4              | n/a           |
| <b>Sub-Total Other City Programs</b>          | <b>40,587.3</b>    | <b>44,646.4</b>    | <b>4,059.1</b>     | <b>10.0%</b>  |
| <b>Accountability Offices</b>                 |                    |                    |                    |               |
| Auditor General's Office                      | 0.0                | 0.0                | 0.0                | n/a           |
| Integrity Commissioner's Office               | 0.0                | 0.0                | 0.0                | n/a           |
| Lobbyist Registrar's Office                   | 9.0                | 8.0                | (1.0)              | -10.8%        |
| Ombudsman's Office                            | 0.0                | 0.6                | 0.6                | n/a           |
| <b>Sub-Total Council Appointed Programs</b>   | <b>9.0</b>         | <b>8.6</b>         | <b>(0.4)</b>       | <b>-4.1%</b>  |
| <b>TOTAL - CITY OPERATIONS</b>                | <b>3,012,451.2</b> | <b>2,792,937.0</b> | <b>(219,514.2)</b> | <b>-7.3%</b>  |

**CITY OF TORONTO**  
**CONSOLIDATED REVENUES VARIANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
 (\$000s)

|  | <b>December 31, 2012</b> |                    |                          |              |
|--|--------------------------|--------------------|--------------------------|--------------|
|  | <b>Year-End</b>          |                    | <b>Actuals vs Budget</b> |              |
|  | <b>Budget</b>            | <b>Projection</b>  | <b>Over / (Under)</b>    | <b>%</b>     |
| <b>Agencies</b>                                    |                          |                    |                          |              |
| Toronto Public Health                              | 192,170.6                | 181,094.4          | (11,076.1)               | -5.8%        |
| Toronto Public Library                             | 14,927.3                 | 16,280.6           | 1,353.3                  | 9.1%         |
| Association of Community Centres                   | 264.0                    | 282.8              | 18.8                     | 7.1%         |
| Exhibition Place                                   | 64,770.3                 | 67,012.0           | 2,241.7                  | 3.5%         |
| Heritage Toronto                                   | 572.8                    | 380.2              | (192.6)                  | -33.6%       |
| Theatres   | 25,037.7                 | 18,273.7           | (6,764.0)                | -27.0%       |
| Toronto Zoo  | 34,552.8                 | 32,527.9           | (2,024.9)                | -5.9%        |
| Arena Boards of Management                         | 6,738.2                  | 6,450.0            | (288.2)                  | -4.3%        |
| Yonge Dundas Square                                | 1,501.6                  | 2,109.6            | 608.0                    | 40.5%        |
| Toronto & Region Conservation Authority            | 33,996.6                 | 33,996.6           | 0.0                      | 0.0%         |
| Toronto Transit Commission - Conventional          | 1,070,279.0              | 1,087,062.0        | 16,783.0                 | 1.6%         |
| Toronto Transit Commission - Wheel Trans           | 5,325.0                  | 5,567.0            | 242.0                    | 4.5%         |
| Toronto Police Service                             | 76,369.0                 | 87,785.4           | 11,416.4                 | 14.9%        |
| Toronto Police Services Board                      | 980.0                    | 776.5              | (203.5)                  | -20.8%       |
| <b>TOTAL - AGENCIES</b>                            | <b>1,527,484.9</b>       | <b>1,539,598.7</b> | <b>12,113.8</b>          | <b>0.8%</b>  |
| <b>Corporate Accounts</b>                          |                          |                    |                          |              |
| Capital & Corporate Financing                      | 15,021.7                 | 26,468.4           | 11,446.7                 | 76.2%        |
| <b>Non-Program Expenditures</b>                    |                          |                    |                          |              |
| - Tax Deficiencies/Write-offs                      | 0.0                      | 0.0                | 0.0                      | n/a          |
| - Assessment Function (MPAC)                       | 0.0                      | 0.0                | 0.0                      | n/a          |
| - Temporary Borrowing                              | 0.0                      | 0.0                | 0.0                      | n/a          |
| - Funding of Employee Related Liabilities          | 0.0                      | 0.0                | 0.0                      | n/a          |
| - Other Corporate Expenditures                     | 9,105.2                  | 4,057.0            | (5,048.2)                | -55.4%       |
| - Insurance Premiums & Claims                      | 0.0                      | 0.0                | 0.0                      | n/a          |
| - Parking Tag Enforcement & Oper.                  | 0.0                      | 0.0                | 0.0                      | n/a          |
| - Programs Funded from Reserve Funds               | 141,659.2                | 133,276.3          | (8,382.9)                | -5.9%        |
| - Vacancy Rebate Program                           | 0.0                      | 0.0                | 0.0                      | n/a          |
| - Heritage Property Taxes Rebate                   | 0.0                      | 0.0                | 0.0                      | n/a          |
| - Tax Rebates for Registered Charities             | 5,329.1                  | 5,394.7            | 65.6                     | 1.2%         |
| - Solid Waste Management Rebates                   | 0.0                      | 0.0                | 0.0                      | n/a          |
| - Street & Expressway Lighting Services            | 0.0                      | 0.0                | 0.0                      | n/a          |
| - Pandemic Influenza Stockpiling                   | 0.0                      | 0.0                | 0.0                      | n/a          |
| <b>Non-Program Expenditures</b>                    | <b>156,093.5</b>         | <b>142,728.0</b>   | <b>(13,365.5)</b>        | <b>-8.6%</b> |
| <b>Non-Program Revenue</b>                         |                          |                    |                          |              |
| - Payments in Lieu of Taxes                        | 92,200.0                 | 105,063.3          | 12,863.3                 | 14.0%        |
| - Supplementary Taxes                              | 50,000.0                 | 39,386.8           | (10,613.2)               | -21.2%       |
| - Tax Penalties                                    | 29,000.0                 | 30,334.5           | 1,334.5                  | 4.6%         |
| - Interest/Investment Earnings                     | 114,500.0                | 136,536.5          | 22,036.5                 | 19.2%        |
| - Prior Year Surplus                               | 101,748.7                | 101,748.7          | 0.0                      | 0.0%         |
| - Other Corporate Revenues                         | 8,545.6                  | 13,531.4           | 4,985.8                  | 58.3%        |
| - Toronto Hydro Revenues                           | 45,000.0                 | 47,966.0           | 2,966.0                  | 6.6%         |
| - Provincial Revenue                               | 91,600.0                 | 91,600.0           | 0.0                      | 0.0%         |
| - Municipal Land Transfer Tax                      | 294,223.8                | 349,846.1          | 55,622.3                 | 18.9%        |
| - Third Party Sign Tax                             | 1,581.5                  | 24,027.6           | 22,446.1                 | 1419.3%      |
| - Parking Authority Revenues                       | 44,315.2                 | 50,939.8           | 6,624.6                  | 14.9%        |
| - Administrative Support Recoveries - Water        | 18,973.0                 | 18,973.0           | 0.0                      | 0.0%         |
| - Administrative Support Recoveries - Health & EMS | 16,326.7                 | 16,326.7           | 0.0                      | 0.0%         |
| - Parking Tag Enforcement & Oper.                  | 80,649.4                 | 94,641.3           | 13,991.9                 | 17.3%        |
| - Other Tax Revenues                               | 14,395.0                 | 15,153.7           | 758.7                    | 5.3%         |
| - Woodbine Slots                                   | 14,900.0                 | 15,110.9           | 210.9                    | 1.4%         |
| <b>Non-Program Revenues</b>                        | <b>1,017,958.9</b>       | <b>1,151,186.2</b> | <b>133,227.3</b>         | <b>13.1%</b> |
| <b>TOTAL - CORPORATE ACCOUNTS</b>                  | <b>1,189,074.0</b>       | <b>1,320,382.6</b> | <b>131,308.6</b>         | <b>11.0%</b> |
| <b>LEVY OPERATING REVENUES</b>                     | <b>5,729,010.1</b>       | <b>5,652,918.3</b> | <b>(76,091.8)</b>        | <b>-1.3%</b> |
| <b>NON LEVY OPERATIONS</b>                         |                          |                    |                          |              |
| Solid Waste Management Services                    | 346,008.3                | 342,133.5          | (3,874.8)                | -1.1%        |
| Toronto Parking Authority                          | 128,729.9                | 132,307.4          | 3,577.5                  | 2.8%         |
| Toronto Water                                      | 895,243.8                | 911,377.3          | 16,133.5                 | 1.8%         |
| <b>NON LEVY OPERATING REVENUES</b>                 | <b>1,369,982.0</b>       | <b>1,385,818.2</b> | <b>15,836.2</b>          | <b>1.2%</b>  |

**Operating Variance Report  
For Year Ended December 31, 2012  
Significant Variance by Program and Agency**

### City Operations

#### Citizen Centred Services "A"

As shown in Table 3 below, Citizen Centred Services "A" Programs reported a favourable net variance of \$29.269 million or 3.0% below the 2012 Approved Net Operating Budget for year ended December 31, 2012. The reasons for significant variances are discussed below.

| <b>Table 3<br/>Citizen Centred Services "A"<br/>Net Expenditure Variance (\$ Million)</b> |                               |
|---|-------------------------------|
|   | Year-End 2012<br>Over/(Under) |
| Affordable Housing Office   | (0.1)                         |
| Children's Services   | 0.0                           |
| Court Services  | (0.4)                         |
| Economic Development and Culture  | 0.9                           |
| Emergency Medical Services  | (0.6)                         |
| Long Term Care Homes and Services   | (4.7)                         |
| Parks, Forestry & Recreation  | (7.6)                         |
| Shelter, Support & Housing Administration   | (2.6)                         |
| Social Development, Finance & Administration  | (0.3)                         |
| Toronto Employment & Social Services  | (11.7)                        |
| 311 Toronto   | (2.2)                         |
| <b>Total</b>  | <b>(29.3)</b>                 |

**Affordable Housing Office (AHO)** reported net under-spending of \$0.078 million or 6.7% for the year ended December 31, 2012. This net variance represented one-time savings in salaries resulting from vacancies and non-salary expenditures with a corresponding reduction in revenues.

**Children's Services (CS)** reported a \$0 net favourable variance for the year ended December 31, 2012. Gross expenditures were \$13.840 million or 3.5% lower than planned, offset by reduced revenue of \$13.840 million or 4.3%. The under-spending was attributed to delays in construction projects for the Minor Capital Program of \$4.700 million (primarily Thorncliffe Park and Aboriginal Centre); under-spending of \$3.200 million in Provincially funded programming (primarily purchased service programming); under-spending in Municipal Child Care of \$3.500 million (re-profiling centres due to the roll-out of Full Day Kindergarten (FDK) and savings in salaries and benefits arising from vacancies that were not filled); and under-spending of \$2.440 million in the Health and Safety Program (reflecting non receipt of

Provincial funding). These under-expenditures were offset by lower than planned reserve funding of an equal value.

Included in the gross under-expenditure of \$13.840 million were \$1.040 million gross and net in efficiency savings approved through the 2013 Budget process but began in 2012, comprised of salary and benefit savings of \$0.700 million for complement realignment associated with the rollout of FDK; and efficiencies of \$0.340 million identified through the line-by-line review. As a result of the 2012 variance, reserve funding of \$13.840 million will be available in 2013.

***Court Services*** reported under-spending of \$0.397 million or 2.9% of its 2012 Approved Net Operating Budget for the year ended December 31, 2012. This favourable variance was mainly attributed higher than budgeted expenditures of \$3.3 million in overtime costs for police officers attending trials during off-duty hours partially offset by one-time savings of \$1.3 million in salaries and benefits arising from vacancies that were not filled, lower payments for court costs to the Province, combined with an increase in fine revenues of \$2.3 million due to a higher collection rate of 72% compared to 69% experienced in the previous year. The increased collection rate was incorporated in the 2013 Approved Operating Budget.

***Economic Development & Culture (EDC)*** reported year-end net under-spending of \$0.919 million or 2.1% which was mainly due to \$0.893 million in unachieved service efficiencies and alternative service delivery budget reduction for Cultural Services. This was a one-time variance as the 2013 Approved Operating Budget was increased to fund these unachievable budget reductions.

EDC reported \$1.100 million or 9% reduction in revenue resulting from unachieved third party revenue. The unfavourable revenue was offset by a corresponding actual under-expenditure in the same amount of \$1.100 million. Third party expenditure commitments are not made until the revenue is received. This was a one-time variance that fluctuates with participation in third party events with market conditions.

***Emergency Medical Services (EMS)*** reported a favourable variance of \$0.601 million or 0.9% under the 2012 Approved Net Operating Budget of \$65.178 million. The net under-expenditure was mainly due to one-time savings of \$1.561 million in salaries and benefits arising from vacancies that were not filled combined with under-expenditures in non-payroll items such as medical and dental supplies, and uniforms and protective clothing due to vacant paramedic positions. The under-expenditure was partially offset by an ongoing revenue short-fall, largely attributed to insufficient Provincial grant funding of \$0.959 million for the Central Ambulance Communication Centre (CACC) that has been historically funded at 100% by the Province. Negotiations continue with the Ministry of Health and Long Term Care to resolve this funding issue.

***Long-Term Care Homes & Services (LTCHS)*** reported net under-spending of \$4.741 million or 10.4% for the year ended December 31, 2012. The variance consisted of lower than budgeted gross expenditures of \$11.091 million or 4.9% and reduced revenue of \$6.350 million or 3.5%, as the confirmation of Provincial funding was delayed, resulting in service volumes in the long-term care homes and community programs that were lower than budget.

The 2012 gross under-spending of \$11.091 million was comprised one-time savings of \$9.191 million (\$0.111 million net) related to Provincial funding delays result in a reduction in claims

for certain services required by individual residents and clients that are 100 percent subsidized; \$1.900 million (\$0.900 million net) related to the early implementation of operating efficiencies approved in the 2013 Operating Budget. In addition, the Program secured one time provincial subsidies and grants of \$3.730 million that reduced the City's net contribution.

***Parks, Forestry & Recreation (PF&R)*** reported an under-expenditure of \$7.572 million or 2.8% under the 2012 Approved Net Operating Budget of \$270.962 million of which \$6.220 million was included in the 2013 Approved Operating Budget as ongoing savings. The variance consisted of lower than budgeted gross expenditures of \$14.141 million or 3.8% which was attributed to salaries and benefit savings from unfilled seasonal and permanent positions, implemented efficiencies in various program areas such as summer camps and recreation support functions, as well as under-spending in materials and supplies to prepare for 2013 Budget reductions. A revenue short-fall of \$6.582 million or 5.8% was due to underachieved golf and ice revenues reflecting ongoing trends, as well as facility and sportsfield permit revenues, partially arising from the elimination of Children and Youth permit fees in 2012 with no corresponding revenue budget adjustment.

***Shelter, Support & Housing Administration (SS&HA)*** reported net under-spending of \$2.585 million or 0.9% for the year ended December 31, 2012. The variance was comprised of lower than planned gross expenditures of \$44.714 million or 5.5% with a reduction in revenue of \$42.129 million or 7.9%. The favourable variance was the result of the following:

The gross under-spending and associated reduction in revenue was primarily due to under-spending in Social Housing of \$16.890 million; delays in funding Affordable Housing projects of \$16.220 million; delays in funding of \$9.050 million in Housing and Homelessness Supports grants; and, operational savings of \$1.920 million in Hostel Services and other programs, primarily due to savings in purchased service shelters (motel rentals), and delays in hiring qualified staff.

- Social Housing Administration Services reported a \$0 net variance with gross under-spending of \$16.890 million, comprised of the following cost drivers: savings of \$6.900 million in property tax subsidy; savings of \$4.000 million in subsidies; savings of \$3.400 million in rent subsidies; savings of \$1.400 million in mortgage renewals; and, under-spending of \$1.100 million in garbage levy funding.
- Hostels Services reported net under-spending of \$1.490 million, with bed nights of 11,910 or 0.8% higher than budget (1,418,832 actual bed nights vs. budgeted volumes of 1,406,922). As the increased volumes were in City operated shelters, the offering of additional bed nights was possible by higher than planned Provincial subsidy, with a marginal impact on operating cost; as the cost of City operated shelters are primarily fixed. This additional revenue, combined savings in salaries and benefits due to delays in hiring qualified staff, and additional operational savings comprised net savings of \$1.49 million.
- Other Operational Services reported one-time savings of \$1.095 million net, due in part to delays in hiring qualified staff.

The net under-spending of \$2.585 million was comprised of additional Provincial subsidy of \$0.500 million, reflecting the higher than budgeted bed night volumes and temporary savings of \$1.531 million resulting from vacancies that were not filled, and savings in services and rents that were not ongoing into 2013. The gross under-spending in Social Housing offset reduced

revenues of \$16.890 million, as the gross under-spending allowed for the deferral of the budgeted reserve contribution, enabling these funds to be available to help lessen 2013 pressures.

**Social Development, Finance & Administration (SDF&A)** reported a year-end favourable net variance of \$0.283 million or 1.1%, reflecting gross under-spending of \$1.717 million or 5.2%, with a corresponding reduction in revenue of \$1.434 million or 22.4%. Gross expenditure under-spending and the associated reduction in revenues were mainly attributed to lower spending in 100% Federally funded projects with zero net impact and under-spending across the Program. The net under-spending of \$0.283 million was primarily attributed to one-time operational savings of \$0.194 million and \$0.089 million that was approved as a permanent 2013 Budget reduction arising from the line-by-line review of expenditures.

**Toronto Employment & Social Services (TESS)** reported net under-spending of \$11.719 million or 6.2% of planned expenditures for the year ended December 31, 2012. The variance was mainly attributed to lower Ontario Works (OW) average monthly caseload (104,069 actual vs. 108,500 budgeted), caseload mix (higher proportion of singles as compared to families) and lower special diet expenditures. \$1.5 million of the under-expenditure was due to the change in case mix representing ongoing savings and was incorporated in the 2013 Approved Operating Budget.

**311 Toronto** reported under-spending of \$2.210 million or 21.3% of the 2012 Approved Net Operating Budget. The variance consisted of lower than planned gross expenditures of \$3.505 million, of which \$3.320 million was from savings in salaries and benefits arising from vacancies that were not filled. Revenues were underachieved by \$1.294 million as a result of lower than budgeted recoveries from capital due to delays in filling vacancies for capital projects.

#### Citizen Centred Services "B"

As indicated in Table 4 below, Citizen Centred Services "B" Programs collectively reported a favourable net expenditure variance of \$17.413 million or 2.9% of the 2012 Approved Net Operating Budget for year ended December 31, 2012. The major causes of the variance are discussed below.

| <b>Table 4</b>                               |                               |
|--|-------------------------------|
| <b>Citizen Centred Services "B"</b>          |                               |
| <b>Net Expenditure Variance (\$ Million)</b> |                               |
|  | Year-End 2012<br>Over/(Under) |
| City Planning                                | (2.8)                         |
| Fire Services                                | 1.9                           |
| Municipal Licensing & Standards              | (1.2)                         |
| Policy, Planning, Finance and Administration | (1.1)                         |
| Engineering & Construction Services          | 0.9                           |
| Toronto Building                             | (5.7)                         |
| Toronto Environment Office                   | (0.5)                         |
| Transportation Services                      | (8.8)                         |
| <b>Total</b>                                 | <b>(17.4)</b>                 |

**City Planning** reported a favourable year-end variance of \$2.846 million or 20.3% of planned net expenditures. Gross expenditures were under-spent by \$4.015 million or 10.3%, primarily due to savings in salaries and benefits of \$3.148 million resulting from higher than expected staff turnover. Savings in non-payroll expenditures of \$0.867 million were due to lower than anticipated requirements as well as deferrals of several third-party funded projects. The Program is committed to bringing staffing levels up to more sustainable levels in order to address workload pressures in 2013. In addition, revenues were lower than planned by \$1.170 million or 4.7%, due primarily to lower than budgeted recovery of revenues from deferred third party funded projects.

**Fire Services** reported a year-end unfavourable variance of \$1.879 million or 0.5% over the 2012 Approved Net Operating Budget of \$354.886 million. The net over-expenditure was primarily due to unrealized revenues of \$2.826 million from chargeable false alarms, resulting from a declining volume of false alarm calls and a significant backlog of invoices for false alarm charges from vacant positions. However, the processing of unrealized revenues was partially offset by an increase in one-time other revenues of \$0.981 million comprised mainly of recoveries for the HUSAR team deployment to the Elliot Lake incident, scrap vehicle sales, and Toronto Hydro payments for the Radio System services provided in 2011 but paid in 2012. Of the unrealized revenues of \$2.826 million experienced at year-end, \$1.0 million is expected to continue as this is due to the declining volume of false alarm calls. The change in the False Alarm By-Law in 2010, which increased the penalty for false alarm calls, has resulted in reduced incidence of false alarm calls. User fee revenues were reduced in the 2013 Approved Operating Budget to account for the decline in false alarm charges.

**Municipal Licensing & Standards (MLS)** reported net under-spending of \$1.244 million or 6.4% for the year-ended December 31, 2012. The year-end gross expenditures were \$3.572 million or 7.5% below budget which was primarily attributed to salary and benefit savings of \$2.737 million arising from vacancies that were not filled. Non-salary accounts were under-spent by \$0.836 million reflecting savings of \$0.980 million from restrained discretionary spending for material and supplies, equipment and contracted services which offset higher than anticipated inter-departmental charges of \$0.109 million for costs for postage-couriers, EMS and fleet maintenance.

Revenues were underachieved by \$2.329 million or 8.3% mainly due to lower than planned volume of fees, licenses and permits. The variance included lower revenue of \$0.896 million or 4% for licensing services comprised of \$0.372 million for sign permits, \$0.111 million for business licenses and other licenses and permits of \$0.255 million. Also driving the revenue variance was lower than planned revenue of \$0.544 million from Toronto Animal Services where revenue from licences and permits was \$0.359 million or 16% lower than planned and donations were \$0.205 million or 68% lower than anticipated. Revenue from fees and service charges mainly for property standards was also \$0.504 million less than budgeted. Overall base revenue, user fees and volumes will be reviewed and refined during the 2014 Budget process.

**Policy, Planning, Finance & Administration (PPF&A)** reported net under-spending of \$1.074 million or 11.3% for the year-ended December 31, 2012. The favourable variance reflected lower than planned gross expenditures of \$2.316 million or 11.1%, mainly due to savings of \$1.664 million in salaries and benefits arising from vacancies that were not filled. Spending in non-labour accounts was also restrained, resulting in savings of \$0.652 million or 20%. These savings were mainly experienced in contracted services of \$0.341 million primarily for rented



office equipment, renovations and external training. Non-labour savings also included \$0.311 million for materials and supplies and equipment mainly for natural gas, office supplies, furnishings and computer equipment. Inter-departmental charges were over-spent by \$0.054 million or 5% mainly due to expenditures for postage and couriers.

Revenues were lower than planned by \$1.242 million or 11%. This was primarily due to lower inter-divisional recoveries from Solid Waste Management Services and Toronto Water and reflected the impact of lower gross expenditures for services delivered to these client Programs.

**Engineering & Construction Services** reported an unfavourable variance of \$0.894 million or 10.8% of the 2012 Approved Net Operating Budget of \$8.250 million. Gross expenditures were below budget by \$11.764 million or 16.7%, mainly due to savings in salaries and benefits arising from vacancies that were not filled (\$9.218 million), lower than budgeted contracted services (\$1.258 million) as a result of delays in executing third party work, savings in materials and supplies (\$0.207 million) and equipment (\$0.077 million), and lower interdepartmental costs (\$0.473 million) from existing vacancies.

The Program experienced an unfavourable revenue variance of \$12.657 million or 20.3%. This was mainly due to underachieved revenues from client recoveries for work on capital projects resulting from vacant positions (\$8.227 million), lower than budgeted revenues from fewer utility applications (\$1.720 million), and reduced recoveries due to delays in third party work (\$1.692 million).

**Toronto Building** reported under-spending of \$5.736 million or 52.0% of the 2012 Approved Net Operating Budget, mainly due to \$5.114 million savings in salaries and benefits from 52 vacancies mostly in permanent full time staff. In addition, there was under-spending for contracted services of \$0.338 million mainly due to delayed work by technical consultants on additional regulations regarding renovations and energy efficiency and for general kilometrage and computer hardware maintenance. Year-end revenues exceeded the budget by \$0.257 million or 0.4% due to increased permit intake volumes driven by a moderately high level of development across the City.

In accordance with Section 7 of the Building Code Act, the 2012 net favourable variance of \$5.736 million from Toronto Building operations must be contributed to the Building Code Act Services Improvement Reserve Fund. Section 7 of the Act stipulates that the total amount of authorized fees collected must not exceed the anticipated reasonable costs to administer and enforce this Act. It also requires the establishment of an obligatory reserve fund to manage fluctuations in volumes of permit activity and allow for investments in service delivery improvements to meet new legislative requirements of the Act regarding the collection of permit fees, expenditures and related reporting requirements.

The **Toronto Environment Office (TEO)** reported net under-spending of \$0.519 million or 20.1% for the year-ended December 31, 2012. The favourable variance reflected lower than budgeted gross expenditures of \$1.509 million or 25.8% primarily due to lower than planned staffing levels, savings in materials and supplies, contracted services and lower than estimated grant payments. Salaries and benefits expenditures were \$0.537 million below budget as a result of delayed staffing approvals. In addition, services and rents were below budget by \$0.675 million primarily for advertising and promotions and professional services. Grant expenditures were \$0.287 million lower than planned due to contracts under development, pending

deliverables of approved projects and factors such as lower demand for the Live Green Program. The anticipated 100% grant uptake did not materialize by year-end.

Revenues were lower than planned by \$0.990 million or 30.3% mainly due to overall under-spending in gross expenditures such as grant payments and a resultant reduction in reserve recoveries for these expenses. Donations and other revenue for the Live Green-Community Investment Fund and Live Green-Festivals and Events were also less than expected from lower than planned participation rates.

**Transportation Services** reported a year-end favourable variance of \$8.769 million or 4.3% of the 2012 Approved Net Operating Budget of \$205.468 million. Gross expenditures were under budget by \$33.568 million or 10.2%, primarily due to savings in salaries and benefits arising from vacancies (\$5.470 million) and winter maintenance contract costs that were lower (\$11.805 million) as a result of mild winter weather in 2012. This also resulted in lower salt usage (\$2.928 million). In addition, due to lower than expected road and bridge maintenance work, the budget for related contracts was under-spent by \$7.368 million and expenditures were lower for utility cut repair contracts (\$2.292 million). Based on a review of actual experience in 2012 as compared to ongoing Program requirements, the Program reduced the budget for various expenditure categories by \$0.600 million in 2013.

The Program reported an unfavourable revenue variance of \$24.799 million or 20.2%. This was mainly due to lower than expected volume of utility cut repairs resulting in lower capital recoveries from Toronto Water (\$7.504 million) and external utility companies (\$1.637 million) for projects related to the utility cut repair program. In addition, based on reduced annual expenditures, lower than budgeted recoveries from reserve funds related to transit shelter, road and sidewalk repair were necessary (Public Realm Reserve Fund \$13.502 million, Road and Sidewalk Repair Reserve Fund \$3.899 million and Pavement Degradation Reserve Fund \$1.150 million). These unfavourable revenue variances were partially offset by higher than budgeted licenses and permit fees due to the increased volume of construction activity and street occupation permits (\$3.156 million).

### Internal Services

Internal Services Programs collectively reported under-spending of \$11.262 million or 7.0% of the 2012 Approved Net Operating Budget due to the following:

| <b>Table 5</b>                               |                               |
|--|-------------------------------|
| <b>Internal Services</b>                     |                               |
| <b>Net Expenditure Variance (\$ Million)</b> |                               |
|  | Year-End 2012<br>Over/(Under) |
| Office of the Chief Financial Officer        | (0.4)                         |
| Office of the Treasurer                      | (2.7)                         |
| Facilities Management & Real Estate          | (2.7)                         |
| Fleet Services                               | (1.0)                         |
| Information & Technology                     | (4.4)                         |
| <b>Total</b>                                 | <b>(11.3)</b>                 |

The ***Office of the Treasurer*** (inclusive of Revenue Services, Accounting Services, Pensions, Payroll and Employee Benefits and Purchasing and Materials Management Divisions) reported a favourable variance of \$2.733 million or 9.4% of the 2012 Approved Net Operating Budget. The under-spending of \$6.948 million gross included \$5.821 million in salary savings arising from deferred hiring for capital positions (FPARS and eProcurement) pending the completion of the blueprinting phase for FPARS (\$1.6 million), delay in the staffing for the Utility Billing, MLTT and Pandemic Programs (\$1.1million) and delays in filling vacant operational positions (\$3.1 million). In addition, non-salary savings of \$1.027 million resulted from reduced operational requirements for corporate Pandemic Influenza, MLTT and Utility Billing initiatives.

The savings were partially offset by unrealized revenues of \$4.215 million mainly due to reduced capital recoveries from unfilled positions of \$1.677 million, underachieved inter-divisional recoveries mainly for Utility Billing, MLTT and Pandemic Program of \$1.907 million, and underachieved user fee revenues of approximately \$0.631 million.

***Facilities Management & Real Estate (FM&RE)*** reported under-spending of \$2.706 million or 4.4% of the 2012 Approved Net Operating Budget. The favourable year-end variance consisted of lower than budgeted gross expenditures of \$15.203 million or 8.6% attributed to savings of \$6.8 million associated with vacant positions; lower than planned utility costs of \$3.9 million subject to seasonal effects of weather, lower natural gas prices, and ongoing construction at Union Station resulting in less utility consumption; under-expenditures of \$2.7 million related to the 'Save-On-Energy' incentive program funded by the Ontario Power Authority (OPA) due to the delay in signing the new agreement; and, the acquisition costs of \$2.25 million associated with the property expropriation for Transit Expansion funded by Metrolinx being charged to TTC.

Revenues were \$12.498 million or 10.6% lower than planned as a result of underachievement for interdepartmental recoveries from clients for capital project management, FM&RE services, occupancy and utility costs of \$5.4 million; less recoveries from reserve and capital contributions for Union Station of \$2.8 million and Transit Expansion of \$2.25 million respectively; and unrealized revenue of \$2.7 million from OPA, as noted above.

***Fleet Services*** reported net under-spending of \$1.018 million for the year ended December 31, 2012. The variance consisted of lower than budgeted gross expenditures of \$0.687 million or 1.4%. The favourable variance was due to savings in salaries and benefits of \$0.827 million or 5.0% resulting from vacancies that were not filled, reduced overtime and tool allowance. Revenues were overachieved by \$0.331 million or 0.7%. This was mainly due to the additional cost recoveries of \$0.120 million from auction proceeds.

To ensure funding to moderate the budgetary impact of commodities that are purchased in accordance with the City's Statement of Commodity Hedging Policies and Goals, Fleet Services' net favourable variance of \$1.018 million will be transferred to the Commodity Price Stabilization Reserve.

***Information & Technology*** reported a favourable variance of \$4.429 million or 6.9% of the 2012 Approved Net Operating Budget for the year ended December 31, 2012. The favourable variance of \$14.971 million gross was primarily due to lower salaries and benefits of \$11.820 million attributed to vacancies resulting from hiring delays and recruitment challenges faced by the Program. In addition, lower software and hardware maintenance costs resulted in savings of

\$1.728 million from the implementation of new vendor products for enterprise systems management, \$0.309 million in efficiencies and lower prices on some contracts as well as \$1.094 million in expected savings in lower telephone costs resulting from the ongoing United Communications project.

The savings were partially offset by underachieved revenues of \$10.542 million primarily due to the current level of vacant capital positions resulting in lower recoveries from the Capital Budget.

City Manager's Office

The *City Manager's Office* reported net under-spending of \$3.603 million or 8.9% of planned expenditures for the year ended December 31, 2012. The variance consisted of lower than budgeted gross expenditures of \$4.358 million or 9.0%. The favourable variance was due mainly to savings in salaries and benefits of \$3.584 million from vacancies that were not filled. Revenues were underachieved by \$0.755 million or 8.9%. This was mainly due to the delay in filling vacant positions pertaining to capital related projects.

| <b>Table 6</b>                               |       |
|--|-------|
| <b>City Manager's Office</b>                 |       |
| <b>Net Expenditure Variance (\$ Million)</b> |       |
| Year-End 2012                                |       |
| Over/(Under)                                 |       |
| City Manager's Office                        | (3.6) |

Other City Programs

Other City Programs (see Table 7 below) reported an under-expenditure of \$2.881 million or 4.1% of the 2012 Approved Net Operating Budget for the year ended December 31, 2012. The favourable year-end variance was largely attributed to under-spending in Legal Services and City Council.

| <b>Table 7</b>                               |              |
|--|--------------|
| <b>Other City Programs</b>                   |              |
| <b>Net Expenditure Variance (\$ Million)</b> |              |
| Year-End 2012                                |              |
| Over/(Under)                                 |              |
| City Clerk's Office                          | (0.3)        |
| Legal Services                               | (1.3)        |
| Mayor's Office                               | (0.4)        |
| City Council                                 | (0.8)        |
| <b>Total</b>                                 | <b>(2.9)</b> |

The **City Clerk's Office** reported net under-spending of \$0.339 million or 1.1% of planned expenditures for the year ended December 31, 2012. The variance consisted of lower than budgeted gross expenditures of \$1.667 million or 3.5%. The favourable variance was due to savings in salaries and benefits of \$1.250 million or 3.5% due mainly to staff vacancies held to offset unrealized revenues and alternative strategies adopted for temporary capital staffing. Also, under-spending in services and rents of \$0.213 million or 2.8%, mostly from lower advertising for public notices and professional and contracted services, partially offset by higher expenditures in postage, and rental of machinery and equipment.

Revenues were underachieved by \$1.329 million or 7.6%. This was due to lower revenues generated from print and mail services as a result of lower client demand from City Divisions, lower revenues from public notices, and lower transfers from the Election Reserve Fund and capital transfers to reflect lower actual spending.

**Legal Services** reported under-spending of \$1.304 million or 6.8% of the 2012 Approved Net Operating Budget. The variance consisted of greater than budgeted gross expenditures of \$3.864 million or 9.2% from over-spending in professional and consulting services and court expenses due to an increased workload. The higher than planned revenue of \$5.169 million or 22.4% was due to Legal Services undertaking additional work which included recoveries primarily from Court Services of \$3.766 million, Insurance Claims of \$0.534 million and Solid Waste Management Services of \$0.115 million.

The **Mayor's Office** reported a favourable year-end net variance of \$0.389 million or 20.1% of the 2012 Approved Net Operating Budget. This was due largely to under-spending in salaries and benefits of \$0.313 million arising from staff vacancies and under-spending of \$0.055 million in non-salary expenditures, mainly in professional and technical services.

**City Council** reported a favourable year-end net variance of \$0.849 million or 4.4% of the 2012 Approved Net Operating Budget. This favourable net variance was mainly attributed to under-spending of \$0.428 million in the Councillors' Constituency Services and Office Budget as some Council Members did not fully expend their office budgets for the year, and under-spending of \$1.036 million in staff salaries and benefits due to different staffing strategies adopted by various Councillors. This was offset with over-spending of \$0.773 million due to staff replacements for illness and parental leave, staff severance pay and expenses related to the Councillors' constituency offices, roaming charges and newsletter entitlement.

Council at its meeting of January 17, 2012, eliminated future contributions to the Council Transition Reserve Fund through the annual Operating Budget process and instead directed any favourable variances of City Council's annual Operating Budget to the Reserve Fund to ensure adequate funding for future Council severance costs. In accordance with Council's direction, \$0.849 million of the City Council's operating surplus will be transferred to the Council Transition Reserve Fund

### Accountability Offices

Accountability Offices collectively realized an under-expenditure of \$0.572 million or 8.1% of the 2012 Approved Net Operating Budget for the twelve-month period ended December 31, 2012.

| <b>Table 8</b>                               |                               |
|--|-------------------------------|
| <b>Accountability Offices</b>                |                               |
| <b>Net Expenditure Variance (\$ Million)</b> |                               |
|  | Year-End 2012<br>Over/(Under) |
| Auditor General's Office                     | (0.3)                         |
| Integrity Commissioner's Office              | (0.0)                         |
| Lobbyist Registrar's Office                  | (0.2)                         |
| Ombudsman's Office                           | (0.0)                         |
| <b>Total</b>                                 | <b>(0.6)</b>                  |

The *Office of the Auditor General* reported an under-expenditure of \$0.311 million or 7.1% of the 2012 Approved Net Operating Budget for the year ended December 31, 2012. This was mainly attributed to under-spending in salaries and benefits of \$0.235 million.

The *Office of the Integrity Commissioner* reported a favourable year-end variance of \$0.005 million or 2.3% of the 2012 Approved Net Operating Budget for the year ended December 31, 2012. This was mainly attributed to under-spending in salaries and benefits and services and rents relating to business travel.

The *Office of the Lobbyist Registrar* was under-spent by \$0.225 million or 21.0% compared to the 2012 Approved Net Operating Budget. The under-expenditure was mainly due to savings in salaries and benefits of \$0.182 million and services and rents of \$0.038 million.

The *Office of the Ombudsman* reported a favourable year-end variance \$0.032 million or 2.2% of the 2012 Approved Net Operating Budget for the year ended December 31, 2012. This was mainly from under-spending in services and rents and equipment.

### Agencies

Agencies collectively reported under-spending of \$70.455 million or 4.2% of the 2012 Approved Net Operating Budget for the year ended December 31, 2012. As outlined in Table 9 below, the favourable variance was largely attributed to the Toronto Transit Commission – Conventional Services and Toronto Police Service.

| <b>Table 9</b>                               |                               |
|--|-------------------------------|
| <b>Agencies</b>                              |                               |
| <b>Net Expenditure Variance (\$ Million)</b> |                               |
|  | Year-End 2012<br>Over/(Under) |
| Toronto Public Health                        | (2.3)                         |
| Toronto Public Library                       | (5.7)                         |
| Association of Community Centres             | 0.1                           |
| Exhibition Place                             | (4.6)                         |
| Heritage Toronto                             | 0.0                           |
| Theatres                                     | 0.4                           |
| Toronto Zoo                                  | (0.0)                         |
| Arena Boards of Management                   | 0.1                           |
| Yonge Dundas Square                          | (0.2)                         |
| Toronto & Region Conservation Authority      | 0.0                           |
| Toronto Transit Commission - Conventional    | (41.0)                        |
| Toronto Transit Commission - Wheel Trans     | (1.8)                         |
| Toronto Police Service                       | (15.5)                        |
| Toronto Police Services Board                | (0.0)                         |
| <b>Total</b>                                 | <b>(70.5)</b>                 |

**Toronto Public Health (TPH)** reported under-spending of \$2.286 million or 4.8% of budgeted net expenditures for the year ended December 31, 2012. This variance was primarily attributed to lower than budgeted gross expenditures of \$13.362 million due to under-spending of \$3.644 million in non-payroll expenditures and under-spending of \$9.718 million in salaries and benefits offset by a corresponding decrease in revenues of \$11.076 million across various Provincially cost shared and fully funded programs. The under-expenditure in salaries and benefits was due to delays in hiring for vacant positions as well as delays in opening and hiring for the Healthy Smiles Ontario Program (HSO) Clinics.

Staffing is expected to return to planned service levels in 2013, with salaries and benefits approaching budgeted levels. As the 100% Provincially funded Healthy Smiles Ontario Program (HSO) clinics are now operational, the under-spending is expected to be significantly reduced in 2013.

**Toronto Public Library (TPL)** reported a favourable net variance of \$5.703 million or 3.5% of the planned expenditures for the year ended December 31, 2012. This net variance was primarily due to savings from the labour disruption in March 2012 (\$3.500 million), savings from the temporary closure of Fairview District Library for renovations (\$0.500 million) and additional savings in salaries resulting from the Voluntary Separation Program (VSP) in 2012 (\$1.500 million) of which \$0.400 million is expected to continue and has been included as a permanent budget reduction in TPL's 2013 Approved Operating Budget. A favourable revenue variance of \$1.353 million reflected grants and donations received to offset the cost of \$1.150 million for supplies, equipment and services associated with specific library programs and initiatives.

**Association of Community Centres (AOCCs)** was over-spent by \$0.133 million or 2.0% of its 2012 Approved Net Operating Budget of \$6.768 million. The gross over-expenditure of \$0.152 million was mainly attributed to unexpected retiree benefits and re-earnable bonuses at several community centres as well as increased utility costs, partially offset by the higher than budgeted user fee of \$0.019 million mainly from increased room rental revenues for the Swansea Town Hall Community Centre.

**Exhibition Place** reported a favourable year-end variance of \$4.621 million compared to the 2012 Approved Net Operating Budget of \$0.002 million. This favourable variance was attributed to lower direct costs in BMO Field and reduced indirect and direct costs from various departments through efficiencies resulting in a \$2.380 million gross expenditure reduction, and \$2.242 million increase in revenue due to good weather resulting from greater than planned revenues for events and BMO Field.

A proportion of Exhibition Place's operating surplus, amounting to of \$4.619 million, will be allocated as follows:

City Council, at its meeting of March 5, 2012, authorized the placement of any surplus in excess of the Council approved budget for the Canadian National Exhibition Association (CNEA) Program, which forms part of the Exhibition Place Operating Budget, in 2011 and 2012 into the Exhibition Place Stabilization Reserve for the sole purpose of assisting the CNEA to become independent from the Board and the City in 2013, and authorized, for this purpose, a temporary exemption from the City's Surplus Management Policy. In accordance with Council's direction, \$1.855 million of the Exhibition Place's net favourable variance will be allocated to the Exhibition Place Stabilization Reserve.

City Council, at its meeting of January 17, 2012, reaffirmed the policy that Exhibition Place continues to contribute future operating budget surpluses (if any) to the Exhibition Place Conference Centre Reserve Fund. The Reserve Fund provides financing for short-falls in loan payments to the City from Exhibition Place for a new conference centre. In accordance with Council's direction, \$2.764 million of the Exhibition Place's net favourable variance will be allocated to the Exhibition Place Conference Centre Reserve Fund.

**Theatres** reported over-spending of \$0.414 million or 13.9% above the 2012 Approved Net Operating Budget of \$2.981 million for the year ended December 31, 2012. The unfavourable variance was primarily attributed to ongoing revenue losses from the departure of a resident licensee, show cancellations and low attendance affecting ancillary revenues at the St. Lawrence Centre for the Arts (\$0.233 million) and reduced programming by Dancap Productions in the Main Stage Theatre of Toronto Centre for the Arts (\$0.414 million). Sony Centre for the Performing Arts reported a favourable variance of \$0.233 million which resulted from a one-time insurance recovery that reduced its projected unfavourable year-end variance by \$0.337 million, which partially offset the St. Lawrence Centre for the Arts and the Toronto Centre for the Arts unfavourable variance.

The **Arena Boards of Management** reported net over-spending of \$0.122 million for the year ended December 31, 2012. This was driven by Leaside Arena's net unfavourable variance of \$0.087 million from an unexpected refrigeration repair expense and lost revenues due to construction, Bolton Arena's net variance of \$0.026 million from minor ice-resurfer and building maintenance and repairs, and McCormick Arena's net unfavourable variance of \$0.018



million from an emergency replacement of a failed dehumidifier. These one-time variances are not expected to impact the Arena Boards Operating Budget in future years.

**Yonge-Dundas Square** was under-spent by \$0.241 million or 52.0% of the 2012 Approved Net Operating Budget of \$0.464 million. Revenue was approximately 40.5% higher than budgeted, due to increased revenue from signage and event support services, while gross expenditures were only 18.7% higher than budgeted, due to increased client expenditures. Increased revenue of \$0.131 million and increased costs of \$0.104 million are expected to be ongoing and resulted in the 2013 Approved Operating Budget being \$0.027 million or 5.8% less than the 2012 Approved Net Operating Budget.

**Toronto Transit Commission** (Conventional Service and Wheel-Trans) reported a favourable year-end variance of \$42.7 million or 8.4% below the 2012 Approved Net Operating Budget of \$507.8 million for TTC Conventional Service and Wheel-Trans combined.

TTC Conventional experienced a favourable revenue variance of \$16.8 million (1.6%) above the 2012 budgeted revenues of \$1,070.3 million for its conventional services mostly as a result of higher than budgeted ridership, with 514 million rides provided compared to a budget of 503 million riders; reflecting an unplanned increase of 11 million rides in 2012. TTC reported a favourable gross expenditure variance of \$24.2 million (1.6%) from the 2012 budgeted expenditures of \$1,481.2 million due to lower market prices of diesel fuel, electricity and natural gas as well as lower consumption of energy and natural gas due to the milder weather earlier in 2012. Also, expenses were lower as a result of reduced utilization of certain healthcare benefits and reduced accident claim settlement costs.

Wheel-Trans experienced a favourable year-end net expenditure variance of \$1.8 million (1.8%) from the 2012 Approved Net Operating Budget of \$96.8 million as a result of slightly higher revenues and savings from lower diesel prices, lower demand for trips and shorter average trip lengths on the contracted taxi service partially offset by higher maintenance costs for both the ELF and Friendly bus fleets.

**Toronto Police Service (TPS)** reported under-spending of \$15.483 million or 1.7% of the 2012 Approved Net Operating Budget at year-end. The year-end under-spending was comprised of \$4.067 million from lower than budgeted expenditures due to the higher number of members on unpaid leave, savings for gasoline, telephone line costs and City chargebacks for caretaking, maintenance and utilities. There was also \$11.416 million from higher than budgeted revenues due to increased background checks, increased revenue for paid duty administrative fees; greater than budgeted recoveries for overseas secondments and additional grant funding. Under-spending in 2012 for such items as gasoline of \$2.3 million, telephone lines of \$1.3 million, caretaking of \$2.7 million, salaries and benefits of \$8.4 million, as well as for fees and recoveries for secondments of \$2.2 million has been captured as a permanent reduction in the 2013 Approved Operating Budget for the Toronto Police Service.

The Sick Leave Reserve Fund is currently underfunded. Accumulated sick time credits payable to Toronto Police Service personnel upon retirement is a major pressure on the Reserve Fund and recent contributions have been significantly less than the withdrawals, therefore \$6.500 million of the Toronto Police Services' surplus will be allocated to the Sick Leave Reserve Fund. This is in addition to \$4.106 million that was contributed previously for 2012 through the Budget.

The current balance of the Police Legal Liabilities Reserve Fund, planned contributions and potential exposure, the Police Legal Liabilities Reserve Fund will be underfunded by 2015. Therefore, \$2.500 million of the Toronto Police Services' surplus will be allocated to this Reserve Fund. This is in addition to \$1.191 million that was contributed previously for 2012 through the annual budget process.

### Corporate Accounts

For the year ended December 31, 2012, *Corporate Accounts* had a favourable net expenditure variance of \$172.461 million in the 2012 Approved Net Operating Budget, as shown in Table 10 below.

| <b>Table 10</b>                              |                               |
|--|-------------------------------|
| <b>Corporate Accounts</b>                    |                               |
| <b>Net Expenditure Variance (\$ Million)</b> |                               |
|  | Year-End 2012<br>Over/(Under) |
| Capital & Corporate Financing                | (2.0)                         |
| Non-Program Expenditures                     | (37.4)                        |
| Non-Program Revenues                         | (133.1)                       |
| <b>Total</b>                                 | <b>(172.5)</b>                |

*Capital and Corporate Financing* was under-spent by \$1.970 million or 0.3% due to less funds being borrowed than planned and favourable interest rates.

*Non-Program Expenditures* were under-spent by \$37.390 million or 7.2% at year-end. The key contributors to the savings included the following:

- Other Corporate Expenditures: Under-expenditure of \$26.548 million or 34.2% primarily from the negotiated wage savings for CUPE Local 416 and Local 79. It should be noted that a portion of wage savings for CUPE Local 79 and Local 416 staff has been dedicated to fund the negotiated 1.5% one-time non-base non-pensionable lump sum payment and increase to the employer health tax in 2013.
- Vacancy Rebate Program: Lower than planned vacancy rebates resulted in savings of \$5.477 million or 24.9%.
- Solid Waste Management Rebates: Lower than planned number of households and multi-residential units receiving a solid waste management rebate resulted in savings of \$3.872 million or 2.1%.

The year-end saving noted above were partially offset by over-spending by Parking Tag Enforcement Operations of \$1.172 million or 2.0% due to higher than planned salaries and benefits arising from an increase in their complement by 15 unapproved positions.

*Non-Program Revenues* realized a favourable variance of \$133.102 million or 13.2%. The positive year-end variance was attributed to the following:

- **Municipal Land Transfer Tax:** A higher than expected number of property sales and values generated \$344.469 million in 2012, representing an overachievement of \$56.180 million or 19.5% compared to the 2012 Approved Net Budget of \$288.290 million.
- **Third Party Sign Tax:** Revenues were \$22.446 million higher than the 2012 Approved Net Budget of \$1.582 million. The net positive variance for 2012 reflects the collection of retroactive Third Party Sign Taxes, now that the Supreme Court of Canada has not granted leave to appeal the Ontario Court of Appeal's decision on April 2, 2012 that the Third Party Sign Tax may be applied to all signs regardless of the date they were installed, enabling the City to retroactively bill for past due payments.
- **Interest/Investment Earnings:** More robust cash flow during 2012, which allowed more income generated from short-term investments, combined with relatively favourable interest rates and capital gains from the sale of investments, resulted in an extra \$22.057 million or 19.4% in revenue.
- **Parking Tag Enforcement and Operations:** Revenues were \$13.992 million or 17.3% above planned due to more parking ticket payments during the year and an increase in the number of trials scheduled in 2012 where the offender opted to pay the full fine.
- **Payments in Lieu of Taxes:** Revenues were \$12.863 million or 14.0% higher than planned primarily as a result of lower than anticipated appeals in addition to assessment based revenues being higher than budgeted.
- **Toronto Parking Authority:** Revenues were \$6.625 million or 14.9% higher than planned due to a \$12.000 million one-time dividend payment by the Authority, which will be transferred to the City Parking Reserve Fund to fund the Authority's 2013 and 2014 Non-Program Revenue Budget approved by Council. The one-time dividend payment was partially offset by a timing difference between a budgeted \$7.000 million in Authority revenue and actual recording of the City's accounts.
- **Other Corporate Revenues:** Revenues were \$5.040 million or 66.1% above planned largely from increased miscellaneous revenues (sale of scrap, other recoveries) and sundry revenues (tax repayments, HST rebates, unclaimed cheques, etc).
- **Toronto Hydro Revenue:** Revenues were \$2.966 million or 6.6% above the 2012 Approved Net Budget of \$45.000 million resulting from higher than planned Toronto Hydro net income for 2011. The 2012 budgeted revenue was based, in part, on Toronto Hydro's 2011 financial performance.

The favourable year-end revenues noted above were partially offset by a decline in Supplementary Taxes of \$10.613 million or 21.2% as a result of the number of properties assessed values included on the omitted supplementary rolls provided by MPAC throughout 2012 did not generate planned revenues.

#### Rate Supported Programs

The Rate Supported Programs collectively reported a favourable variance of \$63.186 million of the 2012 Approved Net Operating Budget for the year ended December 31, 2012. As outlined in Table 11 below, the under-spending was largely attributed to Toronto Water.

| <b>Table 11</b>                              |                               |
|--|-------------------------------|
| <b>Non Levy Operations</b>                   |                               |
| <b>Net Expenditure Variance (\$ Million)</b> |                               |
|  | Year-End 2012<br>Over/(Under) |
| Solid Waste Management Services              | (11.3)                        |
| Toronto Parking Authority                    | (1.9)                         |
| Toronto Water                                | (50.0)                        |
| <b>Total</b>                                 | <b>(63.2)</b>                 |

***Solid Waste Management Services (SWMS)*** was under-spent by \$11.265 million or 3.3% of the 2012 Approved Net Operating Budget. This was primarily the result of lower than planned gross expenditures for the following:

- \$10.830 million in salaries and benefits due to 194 unfilled positions;
- \$5.678 million from lower payments in lieu of taxes, consumption of utilities, inter-departmental charges, bad debt expense based on increased user fee recoveries and programming costs for waste diversion and business/revenue systems;
- \$3.865 million largely due to lower than expected tonnages at various facilities; and,
- \$3.825 million in savings for capital financing due to issuance of debt and scheduling of debt charges.

The lower expenditures of \$27.325 million were partially offset by higher costs of \$12.354 million mainly attributed to contracted expenditures for processing of single stream recycling material (SSRM) as well as for processing of source separated organics (SSO) due to the delayed commissioning of the Disco SSO Processing Facility. Higher costs were also incurred for fleet maintenance and fuel for contracted curbside collection in District 2, increased contribution to the Green Lane Reserve Fund as a result of an operating surplus in the Green Lane accounts and increased waste / recycle bin purchases.

Year-end revenues reported an unfavourable variance of \$3.875 million or 1.1% primarily from the following:

- \$6.441 million due to lower City tonnes received at Green Lane;
- \$1.098 million less for the sale of recyclable materials as a result of lower commodity prices;
- \$0.912 million less from ABCDs and schools due to the change in front-end collection billing; and,
- \$0.938 million mainly for lower recoveries from capital due to project delays, fewer gas royalties and lower sales of composters.

The lower revenues of \$9.422 million were partially offset by increased revenues of \$5.547 million which included:

- \$4.473 million in increased funding from Stewardship Ontario;
- \$0.537 million in tipping fees for higher tonnes at transfer stations; and,
- \$0.536 million in one-time industry stewardship grant funding for implementation of the automated cart system for curbside collection.

Solid Waste Management Services' operating surplus of \$11.265 million will be transferred to the Waste Management Reserve Fund. Solid Waste Management Services utilizes this Reserve Fund to finance capital projects which include waste diversion initiatives. This Reserve Fund also provides a contingency for operating program stabilization, as required.

**Toronto Parking Authority (TPA)** reported a favourable year-end variance of \$1.921 million or 3.4% above the 2012 Approved Net Operating Budget of \$56.403 million. The favourable variance was driven by higher than anticipated revenues of \$3.577 million or 2.8% mostly based on rate increases implemented in August/September of 2012. This increase in revenue was partially offset by higher rent expenses of \$1.656 million or 2.3%, related to increased rent costs for managed lots which are determined as a percentage of the income generated from those lots.

**Toronto Water** reported a year-end favourable net expenditure variance of \$50.0 million as at December 31, 2012, due to savings of \$33.866 million and overachieved revenues of \$16.134 million. Gross expenditure savings of \$33.866 million or 3.8% of the 2012 Approved Operating Budget of \$895.244 million were largely due to savings in salaries and benefits arising from unfilled vacancies (\$20.810 million); energy and utility efficiencies relating to lower electricity and natural gas prices, as well as lower natural gas and water consumption at various locations (\$6.086 million), and savings associated with lower part and machinery requirements due to improved preventative maintenance programs and other initiatives (\$3.463 million).

Toronto Water reported a favourable revenue variance of \$16.134 million or 1.8% of the 2012 Approved Operating Budget of \$895.244 million. This favourable revenue variance was the result of higher than expected volumes of water for sale (\$13.989 million), and higher than expected water and wastewater connections fee revenues and other recoveries (\$8.064 million). This increase in revenue was somewhat offset by unfavourable revenue variances from the sale of water to Region of York due to the shutdown of the water mains for TTC, and lower volumes from Wastewater Treatment Agreement with the Region of Peel (\$4.644 million).

It should be noted that although in 2012 actual water consumption continued to decline (1.035 million m<sup>3</sup> or 0.3%) compared to 2011, that decline was not as large as anticipated (\$1.639 million m<sup>3</sup> or 0.5%), resulting in a favourable revenue variance from the water sales compared to the budget. Actual water consumption trends will continue to be monitored in 2013, especially during the peak summer season, and year-end revenue projections will be revised accordingly.

Through a detailed review of actual expenses, savings in salaries and benefits of \$3.3 million and materials and supplies of \$1.7 million was included in the Program's 2013 Approved Operating Budget.

To insure funding to offset unanticipated budget variance so not to unduly impact the Water and Waste Water Operating and Capital Programs, Toronto Water's operating surplus of \$50.0

million will be transferred to the Wastewater Stabilization Reserve (\$27.704 million) and Water Stabilization Reserve (\$22.295 million).