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2014 OPERATING BUDGET BRIEFING NOTE

Staff Recommended Gapping

Issue/Background:

This briefing note summarizes by City Program and Agency, gapping levels included in the 2014 Recommended Operating Budget. A comparison of the gapping data for 2013 is also provided for reference purposes. Both the gapping savings and the gapping rate, which represents the relationship between savings in the 2014 recommended salaries and benefits budget and the gapping level as a percentage of salaries and benefits are provided.

Key Points:

- Gapping represents the difference between funding that would be required for full salaries, wages and benefits for the staff complement of a particular staff unit and the actual funding provided. Gapping represents the savings that would be achieved as a result of vacancies or staff turnover not intended to be filled (known gapping) and an allowance for unplanned or unanticipated staff turnover (unknown gapping).
- The gapping rate is expressed as the savings or reduction in salaries and benefits, as a percentage of total salaries and benefits.
- City Programs and Agencies are expected to realize gapping savings annually by managing the recruitment of new hires throughout the year.
- In 2014, City Programs and Agencies were instructed to maintain the same percentage rate of gapping as in 2013. Any proposed decrease to budgeted gapping rates is deemed to have a service impact and is treated as a New/Enhanced Service change in the Operating Budget.
- Gapping rates are dependent on a Program's specific workforce profile. Note that for City Operations with a high proportion of part-time staff, the overall gapping rate may be significantly lower, since gapping is only applied to permanent positions, as noted in the attached Appendix. For example, Parks, Forestry and Recreation gapping for permanent salaries and benefits is 3.5%, but when compared to its overall Salary & Benefits budget, which includes funding for seasonal and part-time staff, the gapping rate is 2.1%.
- Positions fully funded by the Province are not gapped in order to maximize Provincial funding. Similarly, operations that provide 24/7 services, such as Long Term Care Homes and Services or Programs that must maintain regulated staffing ratios are not gapped.
- As indicated in Appendix 1, total gapping savings included in the 2014 Recommended Operating Budget is \$130.730 million. By comparison, the 2013 budgeted gapping was

\$119.502 million. The average gapping rate for 2014 increased to 2.7% compared to 2013 at 2.5%.

- The 2014 Staff Recommended Operating Budget includes budgeted gapping savings of \$49.977 million or 2.3% for City Operations. Comparatively, the 2013 budgeted gapping savings were \$48.474 million, representing a gapping rate of 2.3%.
- For Agencies, the 2014 budgeted gapping savings is \$80.753 million or 3.0% of the 2014 Staff Recommended Salaries and Benefits Budget. Comparatively, gapping savings in 2013 were \$71.028 million, or 2.8%.

City Programs and Agencies with significant gapping changes are highlighted below:

City Operations:

- *Court Services* – increased to \$1.886 million or 8.5% in 2014 from \$0.504 million or 2.3% in 2013.
 - The increase in gapping of \$1.382 million reflects the reduction in salaries and benefits equivalent to approximately 21 positions due to a projected decrease in workload resulting from the reduced volume of charges issued by enforcement agencies and filed with Court Services in 2014.
- *Social Development, Finance & Administration* – decreased to \$0.505 million or 3.4% in 2014 from \$0.515 million or 3.6% in 2013.
 - Gapping has decreased by \$0.010 million due to the elimination of the unfunded Energy Efficiency Initiative Program that results in a gapping reduction of \$0.006 million as well as an adjustment for the United Way coordinator position that results in reduced gapping of \$0.004 million.
- *Office of the Treasurer* – increased to \$1.815 million or 2.9% in 2014 from \$1.447 million or 2.3% in 2013.
 - Gapping has increased by \$0.368 million primarily to achieve budget reduction target. A review of gapping rates resulted in an increase to Accounting Services and Revenue Services divisions to align with the overall gapping rate of 2.9% for the Office of the Treasurer.
- *Information & Technology* – increased to \$3.460 million or 3.9% in 2014 from \$3.094 million or 3.7% in 2013.
 - Gapping has increased by \$0.366 million primarily due to delays in filling the 58 capital pool positions approved in the 2013 Budget. It is anticipated all positions will be filled by the end of the second quarter in 2014, resulting in the additional gapping.
- *City Clerk's Office* – decreased to \$1.095 million or 3.3% in 2014 from \$1.230 million or 4.2% in 2013.
 - The net decrease in gapping of \$0.135 million or 0.9% is due to the reversal of additional one-time gapping in 2013 of \$0.275 million to manage last-minute budgeted decrease in

Information Production revenue from City Divisions. The gapping rate is budgeted at 3.3% in 2014 to meet budget target of 0%.

- *Legal Services* – decreased to \$0.870 million or 2.2% in 2014 from \$2.255 million or 5.8% in 2013.
 - The decrease in gapping of \$1.385 million is primarily attributable to the alignment of employee salaries and benefits to reflect actual experience.
- *City Council* – increased to \$0.262 million or 1.3% in 2014 from 0.0% in 2013.
 - The increase in gapping of \$0.262 million to the City Council's Operating Budget in 2014 is to meet budget reduction target.
- *Auditor General's Office* – decreased to \$0.039 million or 0.9% in 2014 from \$0.335 million or 7.7% in 2013.
 - The decrease in gapping of \$0.296 million is mainly due to the reversal of two prior year approved positions that were gapped in order to meet the 2013 budget target.

Agencies:

- *Toronto Public Health* – increased to \$9.440 million or 5.0% in 2014 from \$7.535 million or 4.1% in 2013.
 - The gapping target for cost shared programs that are funded 75/25 and 100% City Funded programs is 4.7 percent in 2013. The overall gapping target including 100 percent Provincially funded and 100 percent Other Funded programs is 4.1%.
 - TPH normally achieves a gapping of 5-6%. The increase in the gapping rate for 2014 will allow the savings to be redirected to enhancing programs such as Preventing Childhood Obesity and Preventing Sexually Transmitted Infections. As a result, TPH has increased its gapping rate to 5.7% on cost shared and 100% City Funded programs or 5.0% on Program-wide basis.
- *Toronto Police Service* – increased to \$53.471 million or 5.2% in 2014 from \$45.890 million or 4.8% in 2013.
 - The average deployed strength during 2014 is projected to be slightly below the average deployed strength of 2013 due to the schedule of recruit classes.

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