



Toronto 2016 BUDGET

OPERATING BUDGET NOTES



City Council

2016 OPERATING BUDGET OVERVIEW

Toronto City Council comprises the Mayor and 44 Councillors, each one representing one of the City's wards. City Council is the governing body for the City. As part of the City's legislative process, Councillors sit on Standing Committees and on Community Councils for the area where they have been elected. Councillors are also appointed to agencies and corporations. The role of City Council is described in the City of Toronto Act, 2006, c. 131.

2016 Budget Highlights

The 2016 City Council Budget is \$20.954 million gross and \$20.914 million net as shown below.

(in \$000's)	2015 Approved Budget	2016 Budget	Change	
			\$	%
Gross Expenditures	20,822.6	20,954.0	131.3	0.6%
Revenues	130.0	40.0	(90.0)	(69.2%)
Net Expenditures	20,692.6	20,914.0	221.3	1.1%

The 2016 Preliminary Operating Budget for City Council supports 44 Councillors in fulfilling their statutory mandates.

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Fast Facts

- The City of Toronto government was created on January 1, 1998 as a result of legislation passed by the Province of Ontario merging seven municipal governments into one single-tier city.
- The Term of Council is four years. The current Council term began on December 1, 2014.
- Council has the power to change the mandates and governance of its agencies, with some limitations for the Police Board, Library Board and Board of Health.
- City Council decides on strategic policies and priorities and sets the direction for the City of Toronto.
- In 2013, City Council approved a Strategic Plan for the City of Toronto for 2013-2018.
- A Ward Boundary Review is under way to determine the number of wards for the City of Toronto that meets statutory and representation requirements.

City Council

- Executes its legislative and administrative responsibilities, and exercises all powers exercised through by-laws, except where otherwise permitted by legislation.
- Creates and approves policies and programs, determines service mix, service levels and methods of service delivery, and oversees the work of implementing its decisions.
- Awards contracts, and approves the hiring and dismissal of statutory officers and executive staff.
- Council may, with some limitations, delegate its decision-making authority to committees, City agencies or the Toronto Public Service.
- City Council uses a committee system to manage its legislative process and make decisions.
- Each City Councillor serves on the Community Council that incorporates his or her ward. The Mayor is a voting member of all community councils.

Statutory Role of City Council

The 2016 Preliminary Operating Budget of \$20.954 million gross and \$20.914 million net for City Council will provide funding to support their role as members of Council under the City of Toronto Act (COTA):

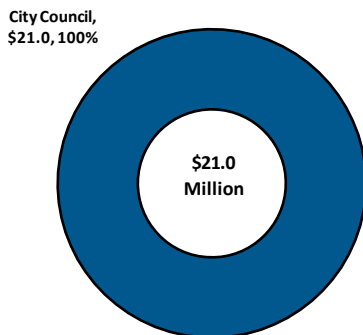
- represent the public and consider the well-being and interests of the City;
- develop and evaluate the policies and programs of the City;
- determine the services the City provides;
- ensure that administrative and controllership policies, practices and procedures are in place to implement the decisions of Council;
- ensure the accountability and transparency of the operations of the City, including the activities of the senior management of the City;
- maintain the financial integrity of the City; and
- carry out the duties of Council under appropriate Acts.

2016 Operating Budget Expenses & Funding

Our Key Issues & Priority Actions

Where the money goes:

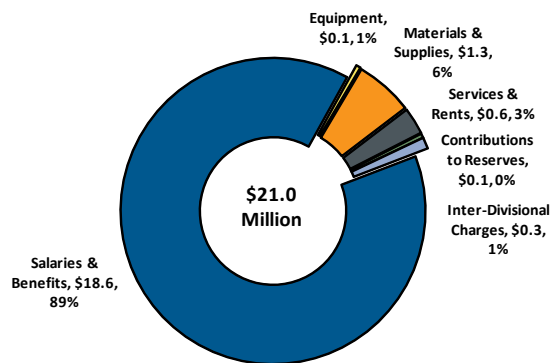
2016 Budget by Service



Adequacy of the Council Transition Reserves and the Council Furniture and Equipment Reserves:

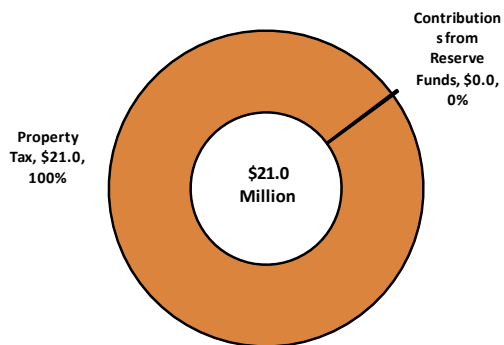
- Continue to monitor the adequacy of the Council Transition Reserves and the Council Furniture and Equipment Reserves.

2016 Budget by Expenditure Category



Where the money comes from:

2016 Budget by Funding Source



Actions for Consideration

Approval of the 2016 Preliminary Budget as presented in these notes requires that:

1. City Council approve the 2016 Operating Budget for City Council of \$20.954 million gross, \$20.914 million net for the following service:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
City Council:	20,954.0	20,914.0
 Total Program Budget	<u>20,954.0</u>	<u>20,914.0</u>

2. City Council approve the 2016 staff complement of 180.0 positions.



Part I:

2016 – 2018

Service Overview and
Plan

Toronto City Council consists of the Mayor and 44 Councillors, one representing each of the City's wards. The City Council 2016 Operating Budget maintains the 2015 service levels to support the 44 Councillors and their staff.

The 2016 Preliminary Operating Budget of \$20.954 million gross and \$20.914 million net for City Council will provide funding to support the role of City Council under the City of Toronto Act (COTA):

- represent the public and consider the well-being and interests of the City;
- develop and evaluate the policies and programs of the City;
- determine the services the City provides;
- ensure that administrative and controllership policies, practices and procedures are in place to implement the decisions of Council;
- ensure the accountability and transparency of the operations of the City, including the activities of the senior management of the City;
- maintain the financial integrity of the City; and
- carry out the duties of Council under appropriate Acts.

**Table 1
2016 Preliminary Operating Budget and Plan by Service**

(In \$000s)	2015		2016 Operating Budget			2016 Budget vs. 2015 Budget Approved Changes		Incremental Change 2017 and 2018 Plan			
	Approved Budget	Projected Actual	2016 Base	2016 New/Enhanced	2016 Budget	\$	%	2017		2018	
By Service	\$	\$	\$	\$	\$	\$	%	\$	%	\$	%
City Council											
Gross Expenditures	20,822.6	20,422.6	20,954.0		20,954.0	131.3	0.6%	647.1	3.1%	2,443.0	11.3%
Revenue	130.0	130.0	40.0		40.0	(90.0)	(69.2%)			2,200.0	5500.0%
Net Expenditures	20,692.6	20,292.6	20,914.0	-	20,914.0	221.3	1.1%	647.1	3.1%	243.0	1.1%
Total											
Gross Expenditures	20,822.6	20,422.6	20,954.0	-	20,954.0	131.3	0.6%	647.1	3.1%	2,443.0	11.3%
Revenue	130.0	130.0	40.0	-	40.0	(90.0)	(69.2%)			2,200.0	5500.0%
Total Net Expenditures	20,692.6	20,292.6	20,914.0	-	20,914.0	221.3	1.1%	647.1	3.1%	243.0	1.1%
Approved Positions	176.0	176.0	180.0	-	180.0	4.0	2.3%				

City Council's 2016 Preliminary Operating Budget is \$20.954 million gross and \$20.914 million net, representing a 1.1% increase over the 2015 Approved Net Operating Budget.

- The year over year net increase arises primarily from a 2% CPI adjustment for Councillors' salaries and Constituency Services and Office budget, benefit adjustment for Councillors and staff, as well as a provision for Constituency Office leases and expenses, additional Constituency Assistants and AODA requirements, which are partially offset by a base expenditure adjustment to Contracted Services to reflect actual experience and savings from one-time gapping.
- The 2017 and 2018 Plan reflect one-time budget provision for potential severance pay for Councillors' Offices and Mayor's Office staff after the 2018 Municipal Election results, the CPI

adjustment for Councillors' salaries and Constituency Services and Office budget and the reversal of 2016 one-time gapping.

- Approval of the 2016 Preliminary Operating Budget results in the total staff complement increasing to 180.

Table 2
Key Cost Drivers

(In \$000s)	2016 Base Budget		2016 Base Budget	
	City Council		Total	
	\$	Position	\$	Position
Gross Expenditure Changes				
Prior Year Impacts				
Reversal of one-time budget related to health & safety replacement of furniture for Councillors' Offices	(130.0)		(130.0)	
Economic Factors				
CPI adjustment for Constituency Services & Office Budget	27.9		27.9	
Salary and Benefit Changes				
2% CPI increase for Councillors' salary	95.7		95.7	
Benefits adjustment for Councillors and staff	84.7		84.7	
Other Base Changes				
Adjustment to Contracted Services Requirements	(29.1)		(29.1)	
Provision for Constituency Office Leases and Expenses	219.1		219.1	
4 Additional Constituency Assistants for Wards exceeding average households and populations by 50%	320.0	4.0	320.0	4.0
Provision for AODA Requirements	44.0		44.0	
Furniture requirements for 2016	40.0		40.0	
Other	9.1		9.1	
Total Gross Expenditure Changes	681.4	4.0	681.4	4.0
Revenue Changes Increase / (Decrease)				
Reversal of one-time budget related to health & safety replacement of furniture for Councillors' Offices	(130.0)		(130.0)	
Furniture requirements for 2016	40.0		40.0	
Total Revenue Changes	(90.0)		(90.0)	
Net Expenditure Changes	771.4	4.0	771.4	4.0

Key cost drivers for City Council's Operating Budget are discussed below:

- Prior Year Impacts:
 - Reversal of one-time expense for the replacement of furniture to meet healthy and safety requirements in Councillors' Offices will result in a decrease of \$0.130 million gross and \$0 net, as this expense was funded from the Council Furniture and Equipment Reserve.
- Economic Factors:
 - CPI increase of \$0.028 million to the Constituency Services and Office Budget.

- Salaries and Benefits adjustments:
 - A 2% CPI increase for Councillors' salary and a benefits adjustment for Councillors and staff to reflect actual results in an increase of \$0.096 million and \$0.085 million respectively. No COLA budgeted for staff per Corporate Guideline.
- Other Base Changes:

The following base changes reflect funding requirements for policies which have been approved by City Council since 2012.

- A provision of a constituency office within civic centre or within the Councillors' respective wards results in an increase of \$0.219 million for constituency office leases and expenses.
- 4 additional constituency assistants for any wards which exceed the median by more than 50% in both population and households, results in an increase of \$0.320 million to the Council General Expense Budget.
- A provision in the Council General Expense Budget for expenses related to meeting the Accessibility for Ontarians with Disabilities Act (AODA) requirements for Councillor events or meetings results in an increase of \$0.044 million.

In order to offset the above net pressures, the 2016 service cost changes for City Council's Operating Budget consists of one-time base expenditure savings of \$0.550 million net.

Table 3
2016 Total Preliminary Service Change Summary

Description (\$000s)	2016 Service Changes		Total Service Changes			Incremental Change			
	City Council		\$	\$	#	2017 Plan		2018 Plan	
	Gross	Net	Gross	Net	Pos.	Net	Pos.	Net	Pos.
Base Changes:									
Base Expenditure Changes									
<i>One-time gapping in Councillor Staff Salary</i>	(550.0)	(550.0)	(550.0)	(550.0)		550.0			
Base Expenditure Change	(550.0)	(550.0)	(550.0)	(550.0)		550.0			
Total Changes	(550.0)	(550.0)	(550.0)	(550.0)		550.0			

Base Expenditure Changes (Savings of \$0.550 million gross & net)

One-time gapping

- One-time gapping savings in Councillor Staff Salary Budget results in a net savings of \$0.550 million. This will be reversed in 2017.
- This may reduce the surplus at year-end, which will result in a lower contribution to the Council Transition Reserve and the Council Furniture and Equipment Reserve.

Approval of the 2016 Preliminary Budget for City Council will result in a 2017 incremental net cost of \$0.647 million and a 2018 incremental net cost of \$0.243 million to maintain the 2016 service levels, as discussed in the following section:

**Table 5
2017 and 2018 Plan by Program**

Description (\$000s)	2017 - Incremental Increase					2018 - Incremental Increase				
	Gross Expense	Revenue	Net Expense	% Change	# Positions	Gross Expense	Revenue	Net Expense	% Change	# Positions
Known Impacts:										
Reversal of one-time gapping for Councillor staff salary	550.0		550.0	2.6%						
CPI adjustment & fringe benefits	68.7		68.7	0.3%		214.0		214.0	1.0%	
CPI adjustment on Constituency Services & Office Budget	28.4		28.4	0.1%		29.0		29.0	0.1%	
Onetime budget for severance pay						2,200.0	2,200.0			
Sub-Total	647.1		647.1	3.1%		2,443.0	2,200.0	243.0	1.1%	
Total Incremental Impact	647.1		647.1	3.1%		2,443.0	2,200.0	243.0	1.1%	

Future year incremental costs are primarily attributable to the following:

Known Impacts:

- Reversal of one-time gapping savings in 2016 results in an increase of \$0.550 million in 2017.
- CPI to Councillors' salary totaling \$0.069 million are anticipated in 2017 and \$0.214 million in 2018.
- Budgetary provisions for a CPI adjustment to Constituency Services and Office Budget total \$0.028 million and \$0.029 million, respectively in 2017 and 2018.
- A one-time budget provision for Council transition expenses after the 2018 Municipal Election results in an increase of \$2.200 million gross and \$0 net at the end of term in 2018. This expense will be funded from the Council Transition Reserve.



Part III:

Issues for Discussion

Issues for Discussion

Issues Impacting Future Year

Adequacy of the Council Transition Reserve and Council Furniture and Equipment Reserve

- At its meeting on July 11-13, 2012, City Council adopted a staff report EX21.9 entitled "Policy Changes to Facilitate Councillor Office Operations."
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX21.9>, which included the renaming of the following two reserves:
 - Council Transition Reserve (formerly Severance Reserves) which funds end of Council term severance payments, se-up of transition offices and payment of transition staff, and other requirements related to Council transition.
 - Council Furniture and Equipment Reserve (formerly from Government Relations Reserve) which provides funds for the state of good repair and replacement of furniture and offices of Members of Council at City Hall, or constituency offices at Civic Centres and other properties.
- Contributions to the Council Transition and the Council Furniture and Equipment Reserves come from the annual surplus of the City Council Operating Budget at a level to be determined by the Deputy City Manager & Chief Financial Officer at year-end, according to the surplus management policy.
 - Below is the continuity schedule of the Reserves over the last 5 years:

XQ0010 Council Transition Reserve	2010	2011	2012	2013	2014
Opening Balance	525,000	0	175,000	1,370,000	2,219,000
Contributions	175,000	175,000	1,195,000	849,000	512,000
Withdrawals	(700,000)				(2,199,940)
Ending Balance	0	175,000	1,370,000	2,219,000	531,060

XQ0009 Council Furniture & Equipment Reserve	2010	2011	2012	2013	2014
Opening Balance	37,000	74,000	111,000	111,000	111,000
Contributions	37,000	37,000			
Withdrawals					(33,730)
Ending Balance	74,000	111,000	111,000	111,000	77,270

- As shown in the above continuity schedule, the ending balance for the Council Transition Reserve in 2010 was depleted and in 2014 was reduced significantly due to Council transition requirements, including severance payments, during an election year.
- The replenishment of these Reserves is dependent upon the annual operating surplus of City Council in any given year. As City Council's Operating Budget surplus over the years has continued to decrease, there is a concern regarding the sustainability and adequacy of the Council Transition Reserve and the Council Furniture and Equipment Reserve to provide funding for transition-related expenses going forward.
 - A summary of City Council's Operating Budget Variance over the last 5 years is outlined below:

City Council Approved Operating Budget

Year	Approved Net Operating Budget (\$)	Actuals (\$)	Surplus (\$)
2010	19,637,823	22,121,474	(2,483,651)
2011	19,145,315	17,950,653	1,194,662
2012	19,385,085	18,535,822	849,263
2013	19,957,418	19,445,425	511,993
2014	19,957,418	19,676,128	281,290

- For the year ended December 31, 2010, City Council reported an unfavourable net variance of \$2.484 million or 12.6% of its 2010 Net Operating Budget.
- This unfavourable net variance was attributable to overspending in the Council's General Budget of \$3.828 million mainly due to the lack of sufficient funds for Council transition requirements.
- The Council Transition Reserve was depleted and the City had to use the corporate operating surplus in 2010 to fund the shortfall for transition-related expenses.
- It is noted that the expenditures for constituency office leases keep rising year over year since 2012 when City Council approved the policy for the provision of a constituency office, within a civic centre (including City Hall) or within the Councillors' respective Wards, to be funded from the Council General Expense Budget, at its meeting on July 11 - 13, 2012 "*Policy Changes to Facilitate Councillor Office Operations (EX21.9)*". Attached is the link to the Council decision: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX21.9>
 - These expenses were absorbed by the Constituency Services and Office Budget in the past, but are now additional expenses for the Council General Expense Budget.
 - City Council also approved Parameters for Councillor Constituency Offices (CC27.5) <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.CC27.5>
 - Below is the summary of the expenditures related to the constituency of office leases (including renovation costs) and associated expenses:

Year	Constituency Offices Expenses (Actual) in \$	Number of Offices
2012	56,821	27
2013	223,495	30
2014	193,949	30
YTD 2015	223,185	33

- The 2016 Preliminary Operating Budget for City Council includes a provision for constituency office leases and expenses with an increase of \$0.219 million gross and net to fund these expenses.



Appendices:

Appendix 2

2016 Preliminary Operating Budget by Expenditure Category

Program Summary by Expenditure Category

Category of Expense (\$000's)	2013	2014	2015	2015	2016	2016 Change from		Plan	
	Actual	Actual	Budget	Projected	Budget	2015 Approved		2017	2018
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	17,803.2	20,334.1	18,672.1	18,272.1	18,622.5	(49.6)	(0.3%)	19,241.1	21,655.1
Materials and Supplies	126.5	100.6	1,253.6	1,253.6	1,281.5	27.9	2.2%	1,309.9	1,338.9
Equipment	131.5	123.2	182.0	182.0	102.0	(80.0)	(44.0%)	102.0	102.0
Services & Rents	1,069.3	1,067.0	371.5	371.5	595.5	224.0	60.3%	595.5	595.5
Contributions to Capital							-		
Contributions to Reserve/Res Funds	91.6	91.6	99.2	99.2	99.2			99.2	99.2
Other Expenditures	0.1	0.1					-		
Interdivisional Charges	357.8	299.0	244.2	244.2	253.3	9.1	3.7%	253.3	253.3
Total Gross Expenditures	19,580.0	22,015.6	20,822.6	20,422.6	20,954.0	131.3	0.6%	21,601.0	24,044.0
Interdivisional Recoveries							-		
Provincial Subsidies							-		
Federal Subsidies							-		
Other Subsidies							-		
User Fees & Donations	13.1	10.4					-		
Transfers from Capital Fund							-		
Contribution from Reserve/Reserve Funds		2,233.7	130.0	130.0	40.0	(90.0)	(69.2%)	40.0	2,240.0
Sundry Revenues	121.5	95.3					-		
Total Revenues	134.6	2,339.4	130.0	130.0	40.0	(90.0)	(69.2%)	40.0	2,240.0
Total Net Expenditures	19,445.4	19,676.2	20,692.6	20,292.6	20,914.0	221.3	1.1%	21,561.0	21,804.0
Approved Positions	176.0	176.0	176.0	176.0	180.0	4.0	2.3%	180.0	180.0

* Based on the 2015 9-month Operating Variance Report

For additional information regarding the 2015 Q3 operating variances and year-end projections, please refer to the attached link for the report entitled "Operating Variance Report for the Nine-Month Period Ended September 30, 2015" approved by City Council at its meeting on December 9, 2015.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.27>

Impact of 2015 Operating Variance on the 2016 Preliminary Budget

- As at September 30, 2015, a favourable year end variance of \$0.400 million is being projected for City Council's 2015 Operating Budget, mainly due to underspending in Councillor staff salaries.
- There is no impact of the 2015 operating variance on the 2016 Preliminary Operating Budget.

Appendix 6

Inflows/Outflows to/from Reserve & Reserve Funds

Program Specific Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2015 \$	Withdrawals (-) / Contributions (+)		
			2016 \$	2017 \$	2018 \$
Projected Beginning Balance			627.1	627.1	627.1
Council Transition Reserves	XQ0010				
<i>Proposed Withdrawals (-)</i>					(2,200.0)
<i>Contributions (+)</i>					
Total Reserve / Reserve Fund Draws / Contributions			627.1	627.1	(1,572.9)
Other Program / Agency Net Withdrawals & Contributions					
Balance at Year-End		627.1	627.1	627.1	(1,572.9)

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2015 \$	Withdrawals (-) / Contributions (+)		
			2016 \$	2017 \$	2018 \$
Projected Beginning Balance			132.3	92.3	52.3
Council Furniture & Equipment Reserves	XQ0009				
<i>Proposed Withdrawals (-)</i>			(40.0)	(40.0)	(40.0)
<i>Contributions (+)</i>					
Total Reserve / Reserve Fund Draws / Contributions			92.3	52.3	12.3
Other Program / Agency Net Withdrawals & Contributions					
Balance at Year-End		132.3	92.3	52.3	12.3

Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2015 \$	Withdrawals (-) / Contributions (+)		
			2016 \$	2017 \$	2018 \$
Projected Beginning Balance			25,335.2	12,018.1	2,712.1
Insurance Reserve Fund	XR1010				
<i>Proposed Withdrawals (-)</i>					
<i>Contributions (+)</i>			99.2	99.2	99.2
Total Reserve / Reserve Fund Draws / Contributions			25,434.4	12,117.3	2,811.3
Other Program / Agency Net Withdrawals & Contributions			(25,434.4)	(12,117.3)	(2,811.3)
Balance at Year-End		25,335.2	12,018.1	2,712.1	(1,800.4)