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2017 PRELIMINARY OPERATING BUDGET BRIEFING NOTE – 2017 Gapping Levels

Issue/Background:

This briefing note summarizes by City Program and Agency, gapping levels included in the 2017 Preliminary Operating Budget. Both the 2017 gapping savings and the 2017 gapping rate are provided with the former representing cost savings in the 2017 preliminary salaries and benefits budget and the latter representing the relationship of those cost savings as a percentage of the 2017 preliminary salaries and benefits budget. A comparison of the gapping data for 2016 is provided in the attached Appendix, while the 2015 gapping rate is also provided for reference purposes.

This briefing note also responds to City Council's request to provide detailed information regarding anticipated gapping of front line staff as part of the 2017 Tax Supported Budget which was moved by City Council with the consideration of the *2017 Budget Process - Budget Directions and Schedule* adopted at its meeting of July 12, 2016.

Key Points:

- Gapping represents the amount of potential reduction in the requirement for salary dollars as a result of (a) vacancies not intended to be filled for a full or part year (known gapping) and (b) unplanned or unanticipated turnover (unknown gapping). Salary budgets are adjusted for both known and unplanned gapping.
- Savings as a result of gapping is incorporated by way of a budget expense reduction into the annual operating budget and is monitored regularly and reported to Committee and Council on a quarterly basis.
- The gapping rate is expressed as the savings or reduction in salary and benefit costs, as a percentage of total salaries and benefits.
- Gapping is a budgeting measure that accounts for the fact that staff turnover occurs naturally, resulting in a gap in time between when a position becomes vacant and when it is filled again and is expressed in a dollar amount and not a position count. It is not based on employee type or union affiliation. As a result, gapping targets are not established specifically for front line or management/non-union positions. It is appropriate to assume that gapping experienced by a particular program will be reflective of the specific workforce mix.
- City Programs and Agencies are expected to realize gapping savings annually by managing the recruitment of new hires throughout the year.

- For 2017, City Programs and Agencies were instructed to at least maintain the same percentage rate of gapping as in 2016. Any proposed change to budgeted gapping rates is deemed to have a service impact.
 - For example, a decrease in gapping is treated as a New/Enhanced Service Change in the Operating Budget as it will enhance current service levels.
- Total 2017 gapping saving is \$163.109 million which represents an overall gapping rate of 3.1%, reflecting an increase of 0.6% compared to the 2016 gapping rate, as outlined in Table 1 below.

**Table 1
Gapping Comparison**

(In Millions)	2016 Gapping		2017 Gapping	
	\$	%	\$	%
City Operations	59.471	2.6	58.212	2.5
Agencies	72.451	2.5	104.897	3.6
Total	131.922	2.6	163.109	3.1

- The increased gapping rate in 2017 is largely driven by the Toronto Police Service which has grown to \$72.873 million or 6.8% in 2017 from \$42.358 million or 4.0% in 2016:
 - Additional gapping of \$30.514 million reflects the Toronto Police Service's moratorium on hiring and promotions, implemented during the second quarter of 2016, in conjunction with anticipated vacancies in 2017.
- The gapping rate increase is partially offset by Court Services which has decreased its gapping to \$0.552 million or 2.6% in 2017 from \$3.511 million or 15.3% in 2016:
 - The reduction in gapping of \$2.959 million is largely due to the deletion of 42 vacant positions to reflect actual staff requirement for the projected workload.
- Please refer to the attached Appendix for a detailed comparison of the gapping trend for City Programs and Agencies from 2015 to 2017.

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**City of Toronto
Gapping Analysis
2017 Preliminary Operating Budget
(S000s)**

Appendix 1

Division/Program	2015	2016 Approved Budget			2017 Preliminary Budget			Change from 2016 to 2017
	Gapping Rate	Gross Sal & Ben Excluding Gapping	Gapping	Gapping Rate	Gross Sal & Ben Excluding Gapping	Gapping	Gapping Rate	Gapping Rate
Citizen Centred Services "A"								
Affordable Housing Office	1.9	2,351.0	42.5	1.8	2,391.0	42.5	1.8	(0.0)
Children's Services	0.1	87,059.0	395.3	0.5	89,146.6	395.3	0.4	(0.0)
Court Services	12.3	22,953.9	3,510.7	15.3	20,981.6	551.6	2.6	(12.7)
Economic Development & Culture	2.9	31,046.8	871.6	2.8	31,327.9	871.6	2.8	(0.0)
Toronto Paramedic Services	1.9	174,255.8	3,203.1	1.8	179,073.6	3,203.1	1.8	(0.0)
Long Term Care Homes & Services	0.0	208,041.8	-	0.0	208,624.6	0.0	0.0	0.0
Parks, Forestry & Recreation	2.3	303,374.7	6,971.2	2.3	306,723.9	7,613.8	2.5	0.2
Shelter, Support & Housing Administration	3.1	74,404.6	2,698.3	3.6	74,532.0	2,666.5	3.6	(0.0)
Social Development, Finance & Administration	3.3	17,226.9	502.8	2.9	17,780.0	502.8	2.8	(0.1)
Toronto Employment & Social Services	1.6	197,216.2	3,109.2	1.6	187,848.5	3,109.2	1.7	0.1
Sub-Total Citizen Centred Services "A"	1.8	1,117,930.7	21,304.8	1.9	1,118,429.7	18,956.5	1.7	(0.2)
Cluster "B"								
City Planning	3.8	42,110.6	1,621.5	3.9	43,315.8	1,627.3	3.8	(0.1)
Fire Services	2.0	408,923.9	8,096.7	2.0	413,438.2	8,111.1	2.0	(0.0)
Municipal Licensing & Standards	2.3	44,117.1	978.6	2.2	45,734.7	978.6	2.1	(0.1)
Policy, Planning, Finance & Administration	4.0	19,956.3	795.6	4.0	19,545.5	781.8	4.0	0.0
Engineering & Construction Services	4.3	64,871.4	2,626.8	4.0	66,902.8	2,809.9	4.2	0.2
Toronto Building	2.8	47,892.9	1,357.7	2.8	50,161.1	1,453.1	2.9	0.1
Transportation Services	5.0	105,916.2	6,588.3	6.2	109,747.2	6,588.3	6.0	(0.2)
Sub-Total Citizen Centred Services "B"	2.8	733,788.5	22,065.3	3.0	748,845.3	22,350.1	3.0	(0.0)
Internal Services								
Office of the Chief Financial Officer	2.2	14,189.6	306.4	2.2	14,505.7	311.1	2.1	(0.0)
Office of the Treasurer	3.1	60,971.1	1,842.6	3.0	60,279.3	1,816.6	3.0	(0.0)
Facilities, Real Estate, Environment & Energy	3.7	89,586.7	3,093.1	3.5	88,604.8	3,241.1	3.7	0.2
Fleet Services	3.5	19,239.7	563.5	2.9	19,792.0	585.6	3.0	0.0
Information & Technology	5.5	68,667.2	3,776.7	5.5	71,939.4	3,956.7	5.5	(0.0)
311 Toronto	2.5	14,844.8	365.9	2.5	14,705.4	352.9	2.4	(0.1)
Sub-Total Internal Services	3.8	267,499.1	9,948.2	3.7	269,826.6	10,264.0	3.8	0.1
City Manager								
City Manager's Office	5.2	52,815.3	2,724.2	5.2	53,257.4	2,780.6	5.2	0.1
Sub-Total City Manager	5.2	52,815.3	2,724.2	5.2	53,257.4	2,780.6	5.2	0.1
Other City Programs								
City Clerk's Office	4.7	34,652.2	1,765.7	5.1	33,988.9	1,917.0	5.6	0.5
Legal Services	2.2	43,271.0	1,112.9	2.6	48,321.7	1,152.3	2.4	(0.2)
Mayor's Office	0.0	2,224.9	0.0	0.0	2,282.2	78.1	3.4	3.4
City Council	0.0	19,181.2	550.0	2.9	19,021.2	700.0	3.7	0.8
Auditor General's Office	0.9	4,843.2	0.0	0.0	4,709.4	0.0	0.0	0.0
Integrity Commissioner's Office	0.0	460.8	0.0	0.0	482.2	0.0	0.0	0.0
Office of the Lobbyist Registrar	0.0	1,066.6	0.0	0.0	1,077.4	13.6	1.3	1.3
Office of the Ombudsman	0.0	1,573.1	0.0	0.0	1,616.9	0.0	0.0	0.0
Sub-Total Other City Programs	2.9	107,272.9	3,428.6	3.2	111,499.9	3,861.0	3.5	0.3
TOTAL - CITY OPERATIONS	2.5	2,279,306.5	59,471.0	2.6	2,301,858.9	58,212.2	2.5	(0.1)
Agencies								
Toronto Public Health	5.1	192,239.9	9,800.9	5.1	191,885.8	9,908.2	5.2	0.1
Toronto Public Library	2.7	149,481.5	4,003.4	2.7	151,487.9	4,048.4	2.7	(0.0)
Association of Community Centres	0.0	6,872.2	0.0	0.0	6,968.1	0.0	0.0	0.0
Exhibition Place	0.5	31,321.3	181.1	0.6	31,672.4	181.1	0.6	(0.0)
Heritage Toronto	0.0	540.9	0.0	0.0	524.8	0.0	0.0	0.0
Theatres	0.0	11,725.5	0.0	0.0	12,912.7	0.0	0.0	0.0
Toronto Zoo	2.3	29,958.6	692.0	2.3	30,332.4	692.0	2.3	(0.0)
Arena Boards of Management	0.0	4,478.9	0.0	0.0	4,692.0	0.0	0.0	0.0
Yonge-Dundas Square	0.0	582.3	0.0	0.0	602.0	0.0	0.0	0.0
Toronto & Region Conservation Authority	0.0	34,043.7	0.0	0.0	34,531.7	0.0	0.0	0.0
Toronto Transit Commission - Conventional	1.2	1,285,893.3	14,906.2	1.2	1,323,561.6	16,652.9	1.3	0.1
Toronto Transit Commission - Wheel Trans	0.8	58,167.6	509.1	0.9	59,571.6	541.6	0.9	0.0
Toronto Police Service	3.8	1,055,144.6	42,358.5	4.0	1,079,021.8	72,872.7	6.8	2.7
Toronto Police Services Board	0.0	1,002.2	0.0	0.0	1,019.5	0.0	0.0	0.0
Sub-Total Agencies	2.5	2,861,452.4	72,451.1	2.5	2,928,784.2	104,896.9	3.6	1.0
Total Tax Supported Operations	2.5	5,140,759.0	131,922.1	2.6	5,230,643.1	163,109.1	3.1	0.6