

budget

—2019—



BUDGET NOTES

City Council

What We Do

Toronto City Council is the governing body for the City and comprises 26 members: the Mayor who is elected City-wide, and 25 Councillors who are elected in each ward across the City. As part of the City's legislative process, Councillors make decisions at Council, Standing Committee and Community Council meetings. Councillors also serve in City agencies and corporations.

Why We Do It

Under the City of Toronto Act (COTA), c. 131, the statutory role of City Council includes the following:

- Represents the public and considers the well-being and interests of the City;
- Develops and evaluates the policies and programs of the City;
- Determines the services the City provides;
- Ensures that administrative and controllership policies, practices and procedures are in place to implement the decisions of Council;
- Ensures the accountability and transparency of the operations of the City, including the activities of the senior management of the City;
- Maintains the financial integrity of the City; and
- Carries out the duties of Council under appropriate Acts.

As the governing body of the City, City Council:

- Executes its legislative and administrative responsibilities and all powers are 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.
- Approves the City's Operating Budget and 10-Year Capital Plan allotting resources to Council priorities.
- 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 their ward.
- The Mayor is a voting member of all community councils.

Our Experience	Key Challenges	Priority Actions
<ul style="list-style-type: none"> As a result of Bill 5, Better Local Government Act, 2018, the number of wards in Toronto was reduced from 47 to 25 and the sizes of the wards were increased. On December 4, 2018, City Council adopted CC1.1 <i>Recalibrating City Council's Governance System for 26 Members</i> which provided direction regarding Councillor resources such as Councillor staffing budget envelope and changes to policies relating to newsletters, and Councillor constituency offices. 	<ul style="list-style-type: none"> The adequacy of the Council Transition Reserve is a key challenge. Council Transition Reserve, which funds end of Council term costs, are funded from City Council's annual budget surplus. With budget reductions over the years and increasing expenses in the General Council Budget, the annual budget surplus has been declining in recent years. 	<ul style="list-style-type: none"> A sustainable funding source is required for the Council Transition Reserve. Establish a 2019 operating budget that responds to the Bill 5, reflects Council direction on December 4, 2018 on item CC1.1, and adequately funds the needs of Council.

Budget At A Glance

OPERATING BUDGET			
\$Million	2019	2020	2021
Gross Expenditures	\$22.2	\$22.0	\$22.2
Revenues	\$0.6	\$0.1	\$0.1
Net Expenditures	\$21.6	\$21.9	\$22.1
Approved Positions	25.0	25.0	25.0

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City Council

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RECOMMENDATIONS

RECOMMENDATIONS

1. City Council approve the 2019 Operating Budget for City Council of \$22.163 million gross, \$21.578 million net for the following services:

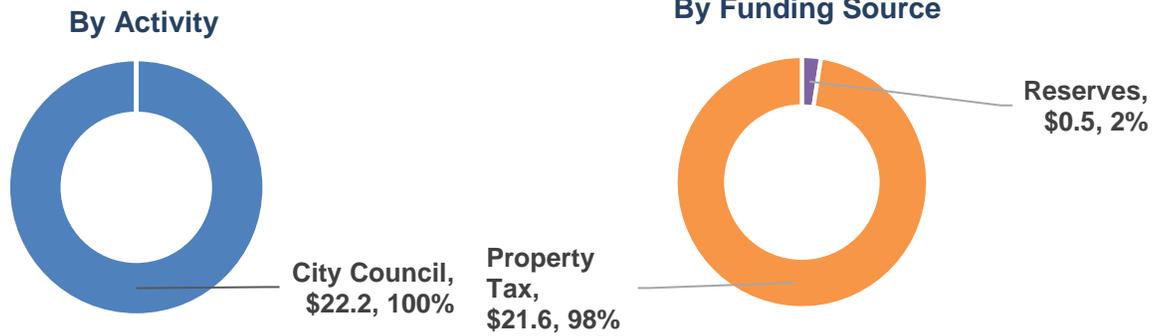
<u>Service:</u>	Gross (\$000s)	Net (\$000s)
City Council	22,163.3	21,578.1
Total Program Budget	22,163.3	21,578.1



2019 OPERATING BUDGET

2019 OPERATING BUDGET HIGHLIGHTS

2019 Operating Budget \$22.2M



- **4.6%** Budget increase over the 2018 Approved Net Operating Budget to meet City Council's requirements.
- **2020/2021** Increases primarily for known inflationary adjustments for Councillors' salaries and benefits and Constituency Services and Office Budget.

2019 OPERATING BUDGET OVERVIEW

Table 1: 2019 Operating Budget and Plan

(In \$000s)	2018		2019		Changes		Incremental Change	
	Budget	Projected Actual*	Base	Total Operating Budget			2020 Plan	2021 Plan
By Service	\$	\$	\$	\$	\$	%	\$	\$
City Council								
Gross Expenditures	23,417.1	25,183.2	22,163.3	22,163.3	(1,253.9)	(5.4%)	(180.1)	194.1
Revenue	2,797.0	2,747.2	585.2	585.2	(2,211.9)	(79.1%)	(520.2)	0.0
Net Expenditures	20,620.1	22,436.1	21,578.1	21,578.1	958.0	4.6%	340.1	194.1
Total								
Gross Expenditures	23,417.1	25,183.2	22,163.3	22,163.3	(1,253.9)	(5.4%)	(180.1)	194.1
Revenue	2,797.0	2,747.2	585.2	585.2	(2,211.9)	(79.1%)	(520.2)	0.0
Total Net Expenditures	20,620.1	22,436.1	21,578.1	21,578.1	958.0	4.6%	340.1	194.1
Approved Positions	25.0	25.0	25.0	25.0	0.0	0.0%	0.0	0.0

* Year-End Projection Based on Q3 2018 Variance Report

Base Changes

(\$0.958M Net)

- Reversal of prior year Council Transition costs, funded from the Council Transition Reserve.
- Reversal of 2018 one-time funding from Property Tax Stabilization Reserve for the Councillor Telecommunications expenses and the Councillor Newsletter Entitlement.
- Reversal of 2018 one-time gapping in Councillors staff salary budget.
- Reduction in salaries and benefits and Councillor office budgets due to the decrease from 47 to 25 wards per Bill 5, offset by increases in staff salary envelopes, office budgets, constituency office and other expenses as a result of the increase in the size of wards and as approved by Council (CC1.1).
- Increases to Council General Budget to reflect projected actual needs, related mostly to General Constituency and Other Expenses.

Future Year Plan

- Inflationary adjustments for Councillors' salaries and benefits and Constituency Services and Office budget.

2019 Operating Budget Changes

The 2019 Operating Budget request for City Council is \$21.578 million net or 4.6% higher than the 2018 Council Approved Operating Budget. Table 2 below summarizes the key cost drivers to meet the requirements of City Council.

Table 2: 2019 Operating Budget Changes

(In \$000s)	Services		Total	
	City Council			
	\$	\$		Positions
2018 Council Approved Operating Budget (Net)	20,620.1	20,620.1		25.0
Base Expenditure Changes				
Prior Year Impacts				
Reduction in Constituency Services & Office Budget as a result of Bill 5	(643.0)	(643.0)		
Reduction in Council General Expense Budget	(166.5)	(166.5)		
Reversal of Council Transition Budget	(2,525.0)	(2,525.0)		
Economic Factors				
Inflationary increase to Non-Payroll Budget	25.1	25.1		
Salaries and Benefits				
Councillor CPI adjustment	85.9	85.9		
Councillor salary and benefit adjustments	(2,719.3)	(2,719.3)		
Councillor Staff Salary Envelope and Benefit Adjustments	(4,675.0)	(4,675.0)		
Council direction - Salary envelope and benefit adjustments	7,362.2	7,362.2		
Other Base Expenditure Changes				
Reduction in interdivisional charges	(55.1)	(55.1)		
Budget to actual adjustment - General Budget	1,040.1	1,040.1		
Council Direction - Non-Payroll Costs	1,016.8	1,016.8		
Sub-Total Base Expenditure Changes	(1,253.9)	(1,253.9)		
Base Revenue Changes				
Reversal of 2018 Municipal Elections Severance Requirements	2,400.0	2,400.0		
Reversal of prior year funding for Council Transition Costs	125.0	125.0		
Reversal of additional prior year one-time funding	207.0	207.0		
Adjustment to the General Constituency & Other Expense Budget	(475.2)	(475.2)		
Funding for 2019 Muslim Youth Fellowship Internship	(45.0)	(45.0)		
Sub-Total Base Revenue Changes	2,211.9	2,211.9		
Total Base Changes	958.0	958.0		
Total 2019 Operating Budget (Net)	21,578.1	21,578.1		25.0

2018 OPERATING PERFORMANCE

2018 Financial Performance

Table 3: Budget vs. Actual by Category of Expenditures and Revenues

Category (In \$000s)	2017 Actual	2018 Budget	2018 Projected Actual *	2019 Total Operating Budget	2019 Change from 2018 Approved Budget	
	\$	\$	\$	\$	\$	%
Salaries and Benefits	18,992.7	21,173.2	23,301.9	19,090.5	(2,082.7)	(9.8%)
Materials & Supplies	89.4	1,338.1	131.1	794.8	(543.3)	(40.6%)
Equipment	203.0	105.0	81.2	256.8	151.8	144.5%
Service and Rent	1,241.7	433.8	1,198.3	1,709.4	1,275.5	294.0%
Contribution To Reserves/Reserve Funds	103.6	105.4	105.4	105.4		
Other Expenditures	1.6		2.1			
Inter-Divisional Charges	323.1	261.6	363.8	206.5	(55.1)	(21.1%)
Total Gross Expenditures	20,955.0	23,417.1	25,183.9	22,163.3	(1,253.9)	(5.4%)
Inter-Divisional Recoveries	0.8					
User Fees & Donations	12.0					
Contribution From Reserves/Reserve Funds	272.0	2,797.0	2,726.9	540.2	(2,256.9)	(80.7%)
Sundry and Other Revenues	157.3		21.0	45.0	45.0	
Total Revenues	442.1	2,797.0	2,747.8	585.2	(2,211.9)	(79.1%)
Total Net Expenditures	20,512.9	20,620.1	22,436.1	21,578.1	958.0	4.6%
Approved Positions	44.0	25.0	25.0	25.0	0.0	0.0%

* Year-End Projection Based on Q3 2018 Variance Report

City Council is projecting to be overspent by \$1.816 million at year-end, primarily due to the higher spending in Council transition costs and general staffing costs. This estimated deficit includes the impacts of Bill 5, Better Local Government Act which reduced the size of Toronto City Council in the new term of Council from 47 to 25 wards.

For additional information regarding the 2018 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, 2018", adopted by City Council at its meeting on December 13, 2018.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.CC1.7>

Impact of 2018 Operating Variance on the 2019 Operating Budget

- The projected overspending in 2018 is not expected to continue into 2019. Thus, there is no impact of the 2018 Operating Variance on the 2019 Operating Budget.



ISSUES FOR DISCUSSION

ISSUES IMPACTING THE 2019 BUDGET

2019 Budget Overview

- In 2018, Bill 5, Better Local Government Act, 2018 increased the size of the wards and reduced the number of wards from 47 to 25, which resulted in a decrease in the 2019 base budget for Councillor salary and benefits, Councillor staff salary envelopes, and Constituency Services & Office Budgets.
- Council direction as contained in CC1.1, *Recalibrating City Council's Governance System for 26 Members*, at City Council meeting on December 4, 2018 results in increases to the Councillor staff salary envelopes, increases to the Constituency Services & Office Budget, and General Council Expense Budget.
- The 2019 Operating Budget also reflects the reversal of one-time Council Transition costs in 2018 as well as the reversal of one-time funding for Councillor newsletters and telecommunications expenses.
- The 2019 Operating Budget also makes provision for increases to the Council General Budget to reflect projected actual needs, related mostly to General Constituency and Other Expenses.
 - The Council budget had previously absorbed these added costs since no additional budget was approved. The 2019 budget has been adjusted to sustainably fund these expenditures.

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 repurposed and renamed two reserves as follows:
 - Council Transition Reserve which funds end of Council term transition costs.
 - Council Furniture and Equipment 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 these reserves come from the annual surplus of the City Council Operating Budget at a level to be determined by the Chief Financial Officer at year-end, according to the surplus management policy.
- Since 2012, the budget surplus to contribute to these reserve has started to decline. The reserves will be reviewed after the 2019 results to ensure sufficiency of funds for future transition requirements, and equipment and office replacement."



APPENDICES

Appendix 1

2019 Total Complement

	Category	Elected Officials	Management with Direct Reports	Management without Direct Reports/Exempt Professional & Clerical	Union	Total
Operating	Permanent	25.0		0.0	-	25.0
	Temporary			0.0	-	0.0
	Total Operating	25.0	-	0.0	-	25.0
Capital	Permanent			-	-	-
	Temporary			-	-	-
	Total Capital	-	-	-	-	-
Grand Total		25.0	-	0.0	-	25.0

Appendix 10

Inflows and Outflows to/from Reserves and Reserve Funds 2019 Operating Budget

Program Specific Reserve / Reserve Funds

Council Furniture and Equipment Reserve (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2018 *	Withdrawals (-) / Contributions (+)		
			2019	2020	2021
		\$	\$	\$	\$
Beginning Balance		237.3	181.1	116.1	51.1
Council Furniture and Equipment Reserve	XQ0009				
<i>Withdrawals (-)</i>		(56.2)	(65.0)	(65.0)	(65.0)
<i>Contributions (+)</i>					
Total Reserve / Reserve Fund Draws / Contributions		181.1	116.1	51.1	(13.9)
Balance at Year-End		181.1	116.1	51.1	(13.9)

* Based on 9-month 2018 Reserve Fund Variance Report

Council Transition Reserve (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2018 *	Withdrawals (-) / Contributions (+)		
			2019	2020	2021
		\$	\$	\$	\$
Beginning Balance		2,273.1	1,748.1	1,272.9	1,272.9
Council Transition Reserve	XQ0010				
<i>Withdrawals (-)</i>		(2,525.0)	(475.2)		
<i>Contributions (+)</i>		2,000.0			
Total Reserve / Reserve Fund Draws / Contributions		1,748.1	1,272.9	1,272.9	1,272.9
Balance at Year-End		1,748.1	1,272.9	1,272.9	1,272.9

* Based on 9-month 2018 Reserve Fund Variance Report