

Office of the Chief Financial Officer 2014 OPERATING BUDGET OVERVIEW

What We Do

The Office of the Chief Financial Officer ensure the effective use of the Corporation's financial resources by providing sound financial management and advice; maintaining financial control; developing and implementing effective financial strategies and by providing timely, accurate, and efficient services to Divisions, Agencies, Council, and the public.

2014 Budget Highlights

The total cost to deliver this Program to Toronto residents in 2014 is \$15.952 million as shown below.

(In \$000s)	2013 Budget	2014 Budget	Change	
			\$	%
Gross Expenditures	16,254.4	15,952.5	(301.9)	(1.9%)
Gross Revenue	6,808.6	6,506.7	(301.9)	(0.0)
Net Expenditures	9,445.8	9,445.8	-	-

For 2014, the Office of the Chief Financial Officer identified and is managing a net pressure of \$0.412 million arising from the cost of living increases for staff and operating impacts of completed capital projects. These pressures are mainly offset by savings identified through on-going service efficiencies.

As a result, the Office of the Chief Financial Officer was able to maintain the 2013 level of service.

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Fast Facts

The Office of the CFO:

- Manages the City's investment portfolio totalling \$5.9 billion;
- Manages issuance and repayment of the City's \$4.8 billion gross and \$2.8 billion net debt portfolio
- Insures \$14.0 billion worth of property
- Recommends and provides financial oversight on a \$10.9 billion Operating Budget and a \$24.5 billion 10 Year Capital Plan

Trends

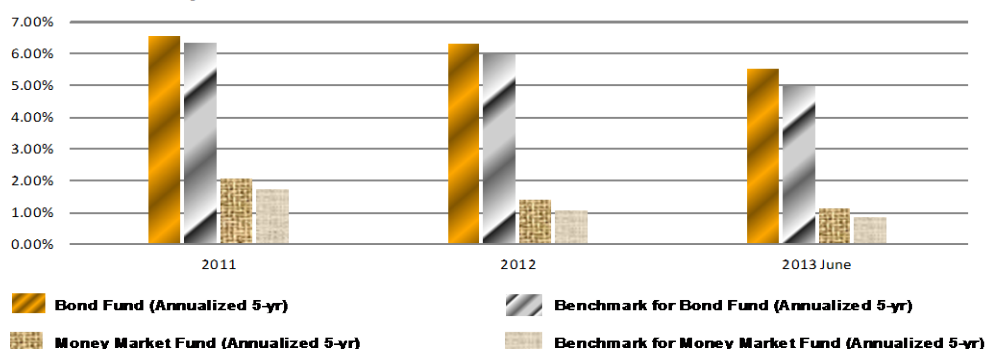
- The City's returns on its investment funds continue to outperform the benchmarks for its investment portfolios.
- Financial Planning will review and draft 1,753 reports in 2013.
- Reports reviewed and drafted will remain constant over 2014-2016 at 1750.

Our Service Deliverables for 2014

- Deliver a sustainable, balanced 3-Year Operating Budget and a 10-Year Capital Budget and Plan.
- Continue the implementation of the Financial Planning, Budgeting and Reporting System project to transform the City to service-based budgeting, linking funding of services to outcomes.
- Prepare a Scarborough Subway Development Charge, a Port Lands area-specific Development Charge and potentially a Metrolinx Transit Development Charge for Council consideration and adoption as well as managing the Development Charge program.
- Update and expand the Financial Control By-Law to include best and leading practices.
- Enhance Councillor and Public engagement in the Budget process.
- Undertake financial research and support of large City building projects (e.g. Long Range Transit Plan, Portlands Redevelopment).
- Implement insurance claims process improvements by the City's Ombudsman for processing third party liability claims under \$10,000.

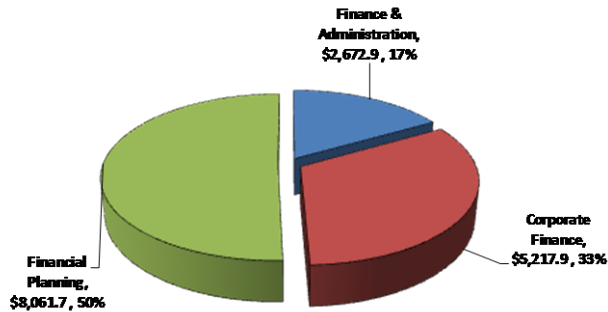
Performance of City's Investment Funds

City's Investment Funds' Returns vs Benchmarks Returns

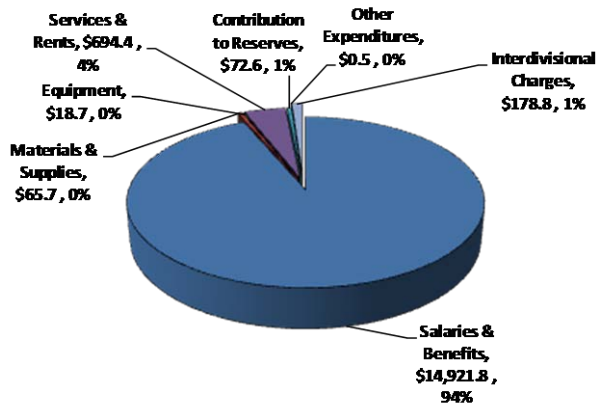


2014 Budget Expenditures & Funding

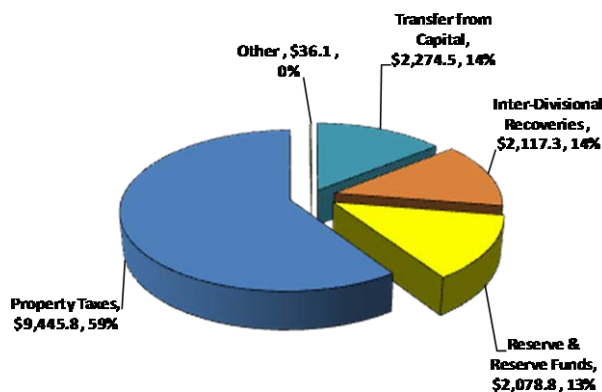
Where the money goes:

2014 Operating Budget by Service
\$15.952 Million

2014 Operating Budget by Expenditure Category



Where the money comes from:

2014 Operating Budget Funding Source
\$15.952 Million

Our Key Challenges & Priority Actions

- Delivering a Long-Term Financial plan that provides for sustainable services and reliable infrastructure with modest impacts to tax payers.
- Continuing streamlining and re-engineering service delivery processes that will reduce the cost structure and maximize non-tax revenue sources.
- Addressing capital funding challenges from the rising state-of-good repair backlog and growth demands.
- Continuing to monetize City assets and other non-debt strategies to generate funding for unmet capital needs and help offset new debt requirements.
- Enhancing transparency and accountability of the City budget.
- Implementing service-based and performance focused multi-year planning and budgeting.

II: COUNCIL APPROVED BUDGET

City Council approved the following recommendations:

1. City Council approve the 2014 Operating Budget for Office of the Chief Financial Officer of \$15.952 million gross and \$9.446 million net, comprised of the following services:

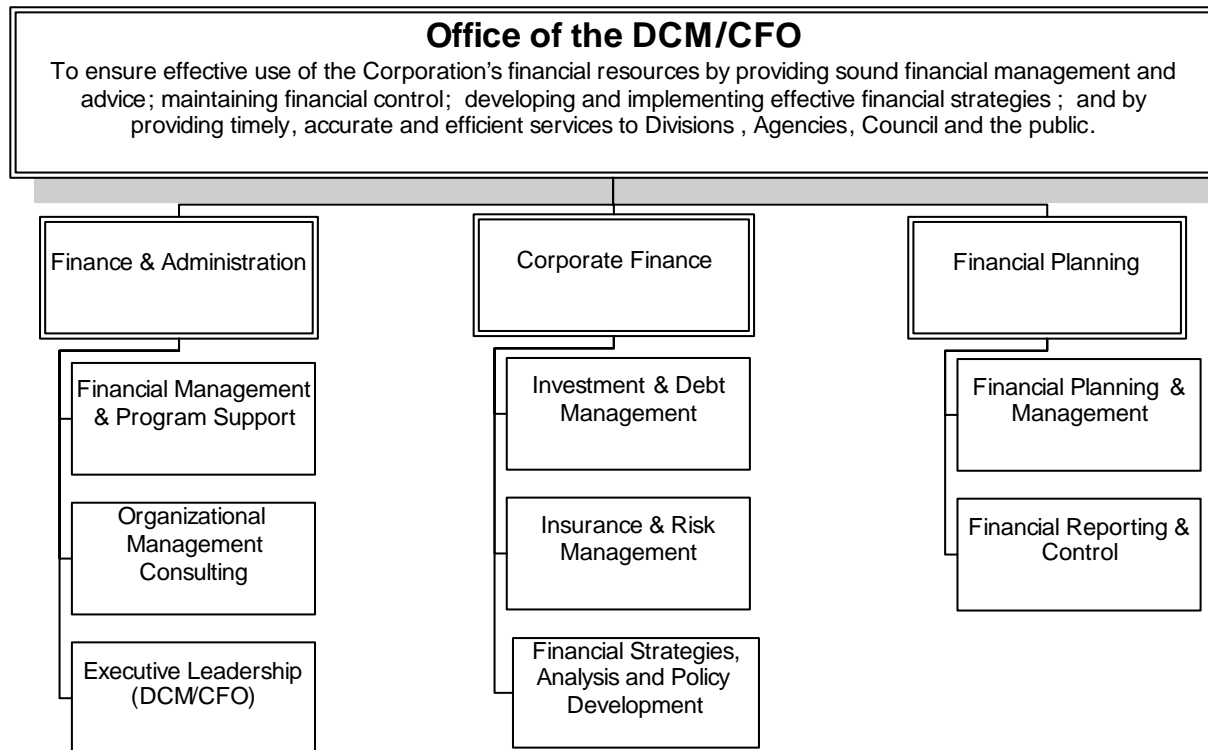
	Gross	Net
<u>Service:</u>	<u>(\$000s)</u>	<u>(\$000s)</u>
Finance & Administration	2,672.9	2,585.6
Corporate Finance	5,217.9	1,762.3
Financial Planning	8,061.7	5,097.9
Total Program Budget	<u>15,952.5</u>	<u>9,445.8</u>

2. City Council approve the Office of the Chief Financial Officer's 2014 service levels, as outlined on pages 8, 11 and 18, and associated staff complement of 112 positions.

III: 2014 SERVICE OVERVIEW AND PLAN

Program Map

The Office of the Chief Financial Officer delivers 3 main services, Finance & Administration, Corporate Finance and Financial Planning as detailed in the following Program maps.



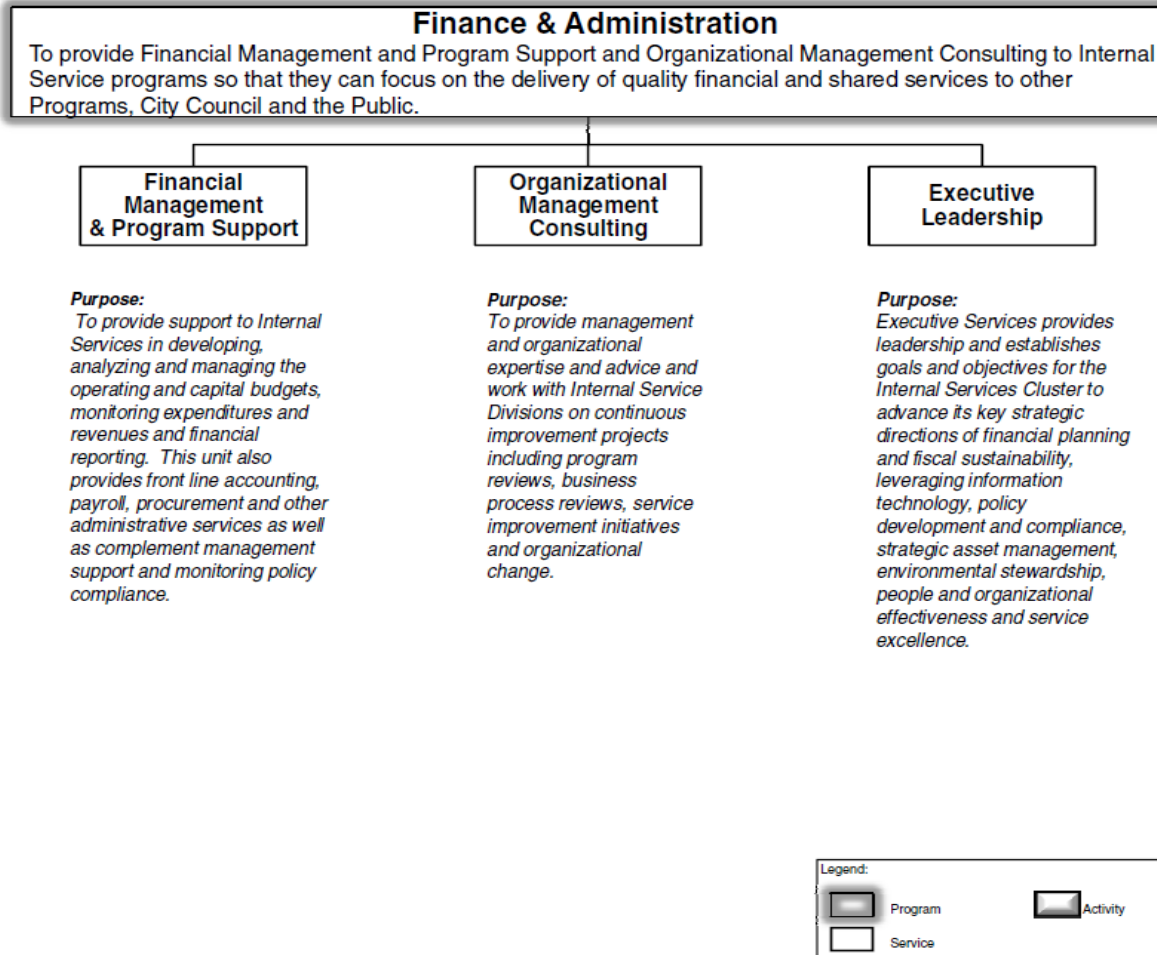
2014 Service Deliverables

The 2014 Operating Budget of \$15.952 million gross and \$9.446 million net for the Office of the Chief Financial Officer will provide funding to:

- Deliver a sustainable, balanced 3-Year Operating Budget and a 10-Year Capital Budget and Plan.
- Continue implementation of Financial Planning, Analysis and Reporting System project to transform the City to service-based budgeting, linking funding of services to outcomes.
- Prepare a Scarborough Subway Development Charge, Port Lands area-specific Development Charge, and potentially a Metrolinx Transit Development Charge for Council consideration and adoption, as well as managing the Development Charge program.
- Update and expand the Financial Control By-Law to include best and leading practices.
- Enhance Councillor and Public engagement in the Budget process.

- Undertake financial research and support of large City building projects (e.g. Long Range Transit Plan, Portlands Redevelopment).
- Implement the insurance claims process improvements by the City's Ombudsman for processing third party liability claims under \$10,000.
- Manage the City's billion investment portfolio worth \$5.9 billion and debt portfolio of \$4.8 billion.
- Prepare an updated long-term Financial Plan.

Service Profile: Finance & Administration



Service Customer

Financial Management & Program Support

- City Manager
- DCM/CFO
- Budget Committee
- Internal Services Divisions
- Other City Divisions

Organizational Management Consulting

- DCM/CFO
- Internal Services Divisions

Executive Leadership (DCM/CFO)

- City Manager and DCMs
- City Council and Committees
- Mayor and Councillors
- City Divisions and Agencies
- Property Owners/Taxpayers
- Media

What we do

- Provide Financial Management and Program Support and Organizational Management Consulting to Internal Service programs so that they can focus on the delivery of quality financial and shared services to other Programs, City Council and the Public.

2014 Service Levels

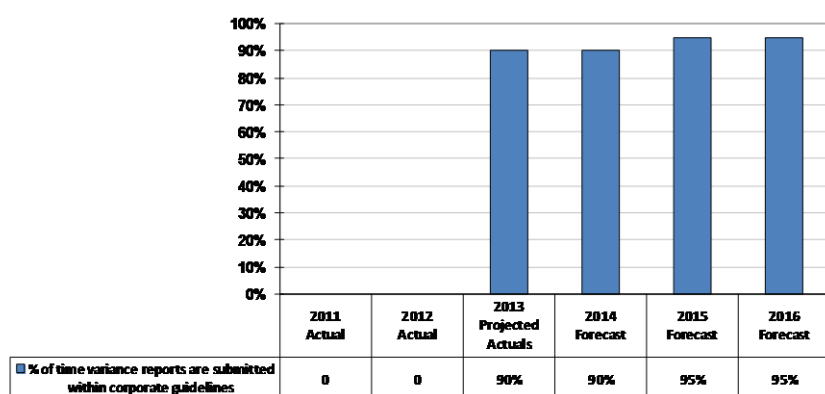
Activity	Type	Sub-Type	Status	Service Levels				
				2011	2012	2013	2014	
Executive Leadership			Approved					
Financial Management & Program Support (FA)	Capital & Operating Budget Support	Capital Budget	Approved	Capital Budget and 10 Year Plan of Capital Works prepared annually			Capital Budget and 10 Year Plan of Capital Works prepared annually	
		Operating	Approved	Operating Budget prepared annually			Operating Budget prepared annually	
	Financial Control	Management Reports	Approved	Statistics Canada Report on Capital Expenditures is prepared and submitted annually			Statistics Canada Report on Capital Expenditures is prepared and submitted semi-annually	
			Approved	Consultants' expenditure report prepared annually			Consultants' expenditure report prepared annually	
			Approved	DPO Activity Report, Blanket Contracts, PO Compliance and Parked Document reports reviewed and distributed monthly			DPO Activity Report, Blanket Contracts, PO Compliance and Parked Document reports reviewed and distributed monthly	
			Approved	Attendance Management Reports prepared and distributed monthly			Attendance Management Reports prepared and distributed monthly	
		Variance Reports	Approved	Capital and Operating Variance Reports are prepared and consolidated quarterly	Capital and Operating Variance Reports and Cluster Performance Statistics are prepared and consolidated quarterly	Capital and Operating Variance Reports and Cluster Performance Statistics are prepared and consolidated quarterly		
		Financial Oversight	Approved	accounts analysis and journal entries reviewed monthly			accounts analysis and journal entries reviewed monthly	
			Approved	Review and coordination of cluster signing authorities completed annually			Review and coordination of cluster signing authorities completed annually	
		Payroll Reports	Approved	Additional Cost, Bank Balance and Labour Distribution and Overtime Reports prepared and distributed bi-weekly			Additional Cost, Bank Balance and Labour Distribution and Overtime Reports prepared and distributed bi-weekly	
		Program Support	Accounting	Approved	Cheque requisitions, goods receipt, new vendor accounts and petty cash reimbursements are processed within 3-5 business days of receipt			Cheque requisitions, goods receipt, new vendor accounts and petty cash reimbursements are processed within 3-5 business days of receipt
				Approved	Pcard transactions are reviewed and approved monthly			Pcard transactions are reviewed and approved monthly
	Approved			Retention of accounting records on a daily basis			Retention of accounting records on a daily basis	
	Purchasing		Approved	Contract release orders (CRO), corporate express requisitions, divisional purchase orders (DPO), material stores requisitions are processed within 3-5 business days			Contract release orders (CRO), corporate express requisitions, divisional purchase orders (DPO), material stores requisitions are processed within 3-5 business days	
			Approved	Purchase requisitions and sole source documentation are processed within 5-10 business days			Purchase requisitions and sole source documentation are processed within 5-10 business days	
			Approved	Corporate calls are managed within standards established by PMMD			Corporate calls are managed within standards established by PMMD	
			Approved	Retention of purchasing records on a daily basis			Retention of purchasing records on a daily basis	

Activity	Type	Sub-Type	Status	Service Levels			
				2011	2012	2013	2014
		Payroll	Approved	Time and attendance reporting and pay advice distribution are completed bi-weekly			Time and attendance reporting and pay advice distribution are completed bi-weekly
			Approved	Reimbursement of employee expenses are processed bi-weekly			Reimbursement of employee expenses are processed bi-weekly
			Approved	Benefit changes and employee payroll data updates are processed within 10 business days from date of notification			Benefit changes and employee payroll data updates are processed within 10 business days from date of notification
			Approved	Retention of payroll records on a daily basis			Retention of payroll records on a daily basis
		Organizational Support	Approved	Organizational charts are revised as required			Organizational charts are revised as required
			Approved	Organizational change approval (OCA) requests are reviewed and processed within 10 business days of receipt			Organizational change approval (OCA) requests are reviewed and processed within 10 business days of receipt
			Approved	Staff requisition requests are reviewed and sent for DCM approval within 5-8 days of receipt			Staff requisition requests are reviewed and sent for DCM approval within 5-8 days of receipt
			Approved	Cluster summary of Conferences/seminars is compiled annually for DCM's approval			Cluster summary of Conferences/seminars is compiled annually for DCM's approval
Organizational Management Consulting			Approved	Project specific			Project specific

- The 2014 Service Levels are consistent with the 2013 Approved Service Levels.

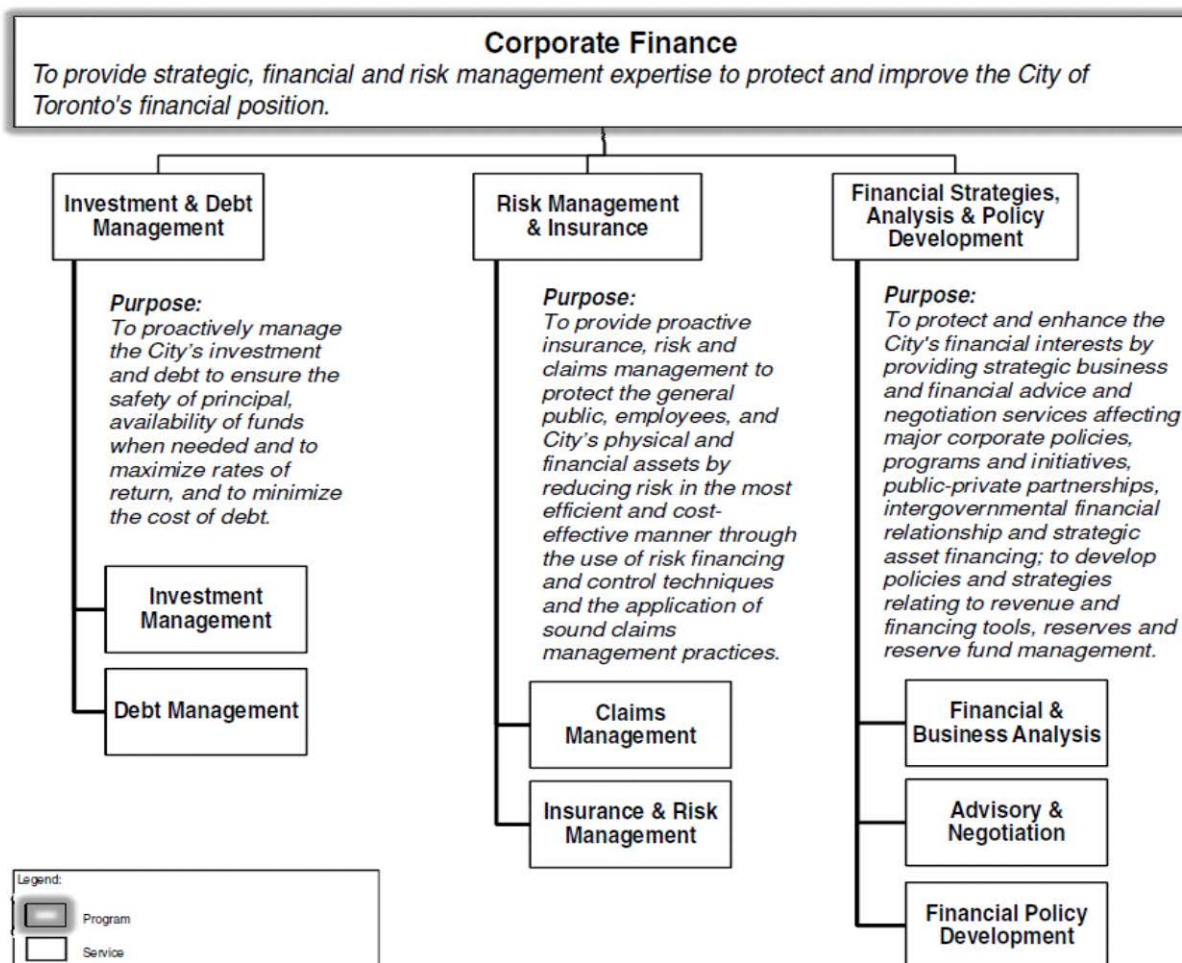
Service Performance Measures

Efficiency Measure – % of Time Variance Reports are submitted within the Corporate Guidelines



- Tracking of actual data began in 2013 for submission of capital and operating variance reports to Financial Planning.
- In 2013, the Program will submit variance reports 90% within corporate guidelines.
- Finance & Administration staff will strive for 95% achievement in 2015 and 2016.

Service Profile: Corporate Finance



Service Customer

Investment & Debt Management

- Corporation
- Divisions
- Agencies
- Owned Subsidiaries
- Pension Funds
- Investment Advisory Committee

Risk Management & Insurance

- Claimants
- Insured Employees & Councillors
- Corporation
- Divisions
- Agencies (except Toronto Transit Commission, Toronto Community Housing Corporation, Toronto Parking Authority)

Financial Strategies, Analysis & Policy Development

- Council
- Mayor
- Divisions
- Agencies including Toronto Hydro, Toronto Community Housing Corporation, Toronto Portlands Corporation, Build Toronto, Invest Toronto
- Other orders of Government
- Public
- City Affiliated organizations

What we do

- Provide strategic, financial and risk management expertise to protect and improve the City of Toronto's financial position.

2014 Service Levels

Activity	Type	Sub-Type	Service Levels			
			2011	2012	2013	2014
Investment Management	Money Market Funds		Available funds are invested in either the money market or bond funds based on management's assessment of the duration for which the investments should be held			
	Sinking Funds		Funds are invested to return 100% of the principal to lenders at the time each debt tranche matures. Surplus funds may be returned to the City's accounts and used to offset new debt issuance, per Council approved policy			
	Bond Funds		Available funds are invested in either the money market or bond funds based on management's assessment of the duration for which the investments should be held			
	City Owned Subsidiaries		Shareholder oversight/review of financial performance of Government Business Enterprises (Toronto Portland Corp., Invest Toronto, Build Toronto, Toronto Community Housing Corp, Toronto Hydro Corporation, and Toronto Parking Authority) as reported in financial statements and business plans, and implemented through shareholder directions			Shareholder oversight review of City Government Business Enterprises. Summaries of quarterly statements and subsidiary statements as available to CFO; Business Plans to CFO & CMO; Annual Financial Statements as attachment to CMO annual shareholder reports.
	Investment strategy for owned subsidiaries		Asset monetization strategy review	Enwave Energy Corp sale process	Asset monetization strategy review	
Debt Management	Debentures		Interest rates and issuings spreads change on a daily basis based on capital market conditions. Credit ratings are generally assessed and issued once per year			
	Loans					N/A in 2014
	Third party loan or line of credit agreements executed		Financial performance of recipient organizations is assessed at least annually, but more frequently if information is available or issues are identified		Work with Facilities and programs to update energy finance policies in respect of Sustainable Energy Funds and internal (recoverable) loans for positive present value projects.	Provide corporate oversight
	Credit Rating					Maintain existing credit ratings from the three credit rating agencies with the possibility of increasing the rating.
	Investor Relations					Attend 3 investor conferences, give presentations and meet upon request with investors.
	Claims Management – General Liability		Claimants notified within 2 weeks. Resolution of claims is often outside of City control and timing can range from a matter of days to several years where there is litigation or complicating factors		Claimants acknowledged upon receipt by City Clerk's Office via return email or Canada Post. City divisions return claim reports to adjuster within 30 days of receipt of request. Claim resolution timing is variable.	
	Claims Management	Claims Management – Other Coverage		Claimants notified within 2 weeks. Resolution of claims is often outside of City control and timing can range from a matter of days to several years where there is litigation or complicating factors		Claimants acknowledged upon receipt by City Clerk's Office via return email or Canada Post. City divisions return claim reports to adjuster within 30 days of receipt of request. Claim resolution timing is variable.
	Insurance ~ Risk Financing – insurance policies, self insured funding		Coverage through external insurers is contracted annually and supplements internally funded levels. Deductible levels are approved by City Council and the upside limit of policy coverages are secured through the insurance markets and approved by Council.			

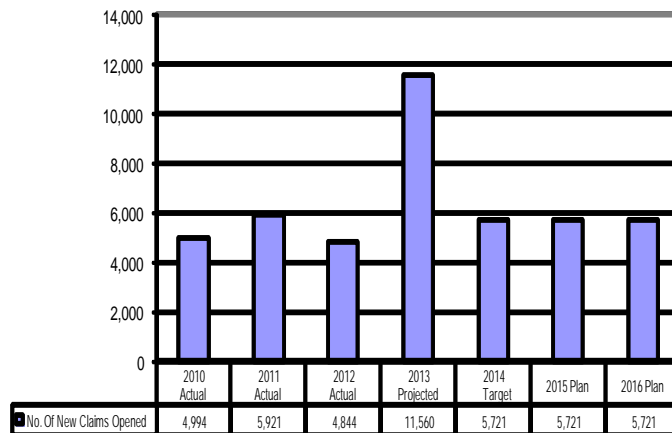
Activity	Type	Sub-Type	2011	2012	2013	2014
Claims Management	Insurance ~ Insurance Consulting		In accordance with each contract being reviewed			
	Risk Management ~ Consultation and Advice		In accordance with each issue being reviewed			
	Risk Management ~ Strategies and Policies		In accordance with each issue being reviewed			
	Risk Management ~ Performance Bonds		In accordance with each security being reviewed			
	Business Analysis ~ RFP/RFQ evaluation		In accordance with each bid being reviewed			
Financial and Business Analysis	Business Analysis ~ Major purchases and contract review	Cost sharing, fiscal arrangements	Comments provided within 48 hours for most documents. Each document is reviewed at the level of detail required based on its size and complexity. Turnaround times are generally established in consultation with the client divisions			
	Business Analysis ~ Revenue and economic competitiveness	Revenue sharing	Reports prepared in accordance with Council Committee deadlines		Ongoing review of City's business competitiveness, including consideration of property taxes, water rates, and other fees and charges.	
	Major City-Building Initiatives		Delivered within negotiated timelines 100% of Time			Reports and presentations prepared in accordance with Council Committee deadlines and the timing of the budget process
	Real Estate/ Land Development Transactions		Delivered within negotiated timelines 100% of Time			Responses are concluded as quickly as possible taking into consideration the nature of the request and time involved, along with the consideration of other priorities
Advisory and Negotiation	Financial Advisory/Strategy ~ Long Term financial planning	Funding programs	Reports and presentations prepared in accordance with Council Committee deadlines and the timing of the budget process			Monitor and provide support for funding arrangements for social housing funding and transit
	Financial Advisory/Strategy ~ Public private partnerships and Intergovernmental financing agreements		Lead/support P3 screening for applications for Federal P3 funding on time minimizing capital costs and optimizing Federal contributions			Analysis completed and reports prepared and signed by Committee deadline in accordance with budget process
Advisory and Negotiation	Financial Advisory/Strategy ~ Monitoring, compliance review and administration of intergovernmental funding agreements		Per turnaround, reporting and other requirements of each agreement		Monitor and provide support for influencing and adapting to legislative changes related to Provincial Municipal Financial Service Delivery Review (PMFSDR) uploads and other funding arrangements (gas tax, etc.)	Analysis completed and reports prepared and signed by Committee deadline in accordance with budget process

Activity	Type	Sub-Type	Service Levels			
			2011	2012	2013	2014
	Financial Advisory/Strategy ~ Review of financial implications and opportunities re regulatory and legislative amendments		Monitor and provide support for influencing legislative changes related to City of Toronto Act, esp MLTT, Government Business Enterprises		Monitor and work with Solid Waste Management to review the rates and their implications as necessary. Monitor and provide support for influencing and adapting to legislative changes related to Build Toronto regulations, social housing funding and Metrolinx allocation of revenues	
	Financial Policy ~ City of Toronto Act Taxes		Service levels dependent on source of report required, e.g. Council may request certain policy changes, with specified deadlines		Provide advice on regard to application of Part X tax authorities re bag fee, MLTT, and new Metrolinx/transit funding initiatives.	
	Financial Policy ~ Municipal Land Transfer Tax		Monitor situation and provide support as required for Municipal Land Transfer Tax administration and policy changes			
	Financial Policy ~ Property tax	Service agreement negotiations	Reported to Committee in accordance with their deadlines and in conjunction with budget process. By-law is required to be approved by City Council, per City of Toronto Act		On going review of Property policy.	As required for each new reserve fund and in accordance with Committee schedules and deadlines
	Financial Policy ~ Water rate	Investment financial oversight	Analysis completed and reports prepared and signed by Committee deadline in accordance with budget process		Ongoing review of City's business competitiveness, including consideration of property taxes, water rates, and other fees and charges.	
Financial Policy Development	Financial Policy ~ Garbage Rate	Public private partnerships	Analysis completed and reports prepared and signed by Committee deadline in accordance with budget process		Monitor and work with Solid Waste Management to review the rates and their implications as necessary.	Provide assistance and advice to internal and external clients on timely basis 100% of the time
	Financial Policy ~ Capital financing	Right of way contributions	Report submitted as part of budget approval process to seek Council authority for borrowing requirements		Monitor telecomm right of way legal initiatives in regard to charging for access to City rights of way.	Reviews and recommendations provided in accordance with budget process guidelines 100% of the time
	Financial Policy ~ Reserve Funding		As required for each new reserve fund and in accordance with Committee schedules and deadlines			Meeting agenda closing deadlines 100% of the time
	Development Charge By-law	Background Study & By-law	Reviewed and updated every 5 years (scheduled 2012-13); amendments to the by-law in the interim if necessary		Bring forward updated City wide background study and revised by-law for Council consideration and adoption.	Bring forward area specific background study and revised by-law for Scarborough transit and port lands area
		Administration & Implementation	Provide assistance and advice to internal and external clients on timely 100% of the time			Delivered within negotiated timelines 100% of the time. On-going discussion and negotiations with Province regarding legislative reform
		Capital Financing	Reviews and recommendations provided in accordance with budget process guidelines 100% of the time			
		Reporting	Meeting agenda closing deadlines 100% of the time			
	Capital Financing Tools		On-going discussion and negotiations with Province to implement a Tax Increment Financing; City comments and responses provided to Province within negotiated timelines 100% of the time			Delivered within negotiated timelines 100% of the time

- The 2014 Service Levels are consistent with the 2013 Approved Service Levels.

Service Performance Measures

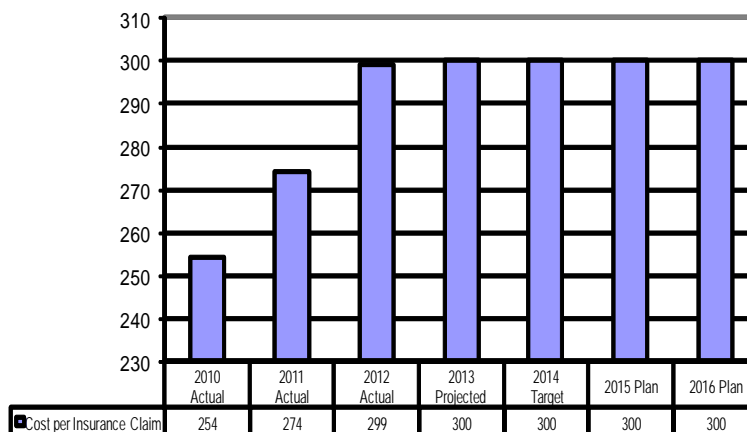
Output Measure – Number of New Insurance Claims Opened



- The number of claims processed in 2010 & 2012 were lower due to milder winter conditions.
- The number of claims processed in 2013 is expected to be higher as a result of the July 8, 2013 storm.

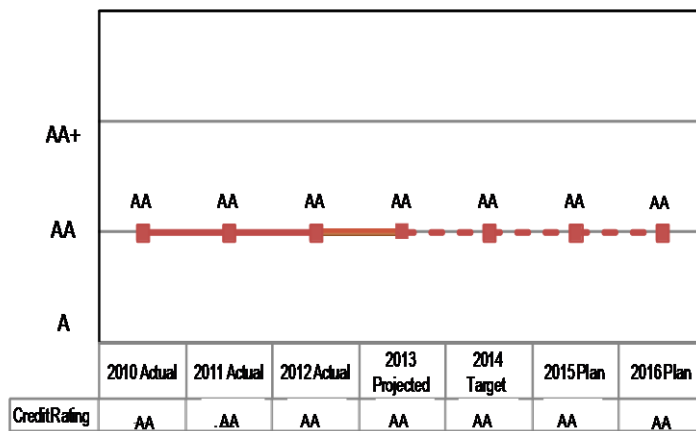
It is anticipated that the number of claims processed in future years will decrease slightly due to lower new claims volume. Trends are difficult to predict into the future due to uncontrollable variables, such as severity of weather.

Efficiency Measure – Cost per Insurance claim (\$)



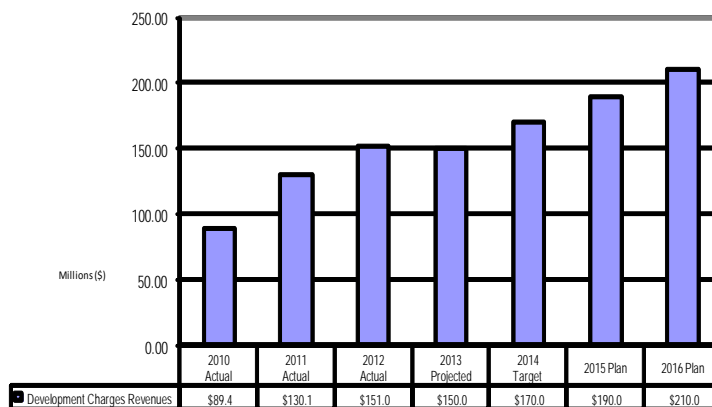
- Costs per claim have increased with new agreement with the service provider. It is expected that this increase will be balanced by an improved client service agreement and improved focus on billing and cost control.

Effectiveness Measure – Credit Rating



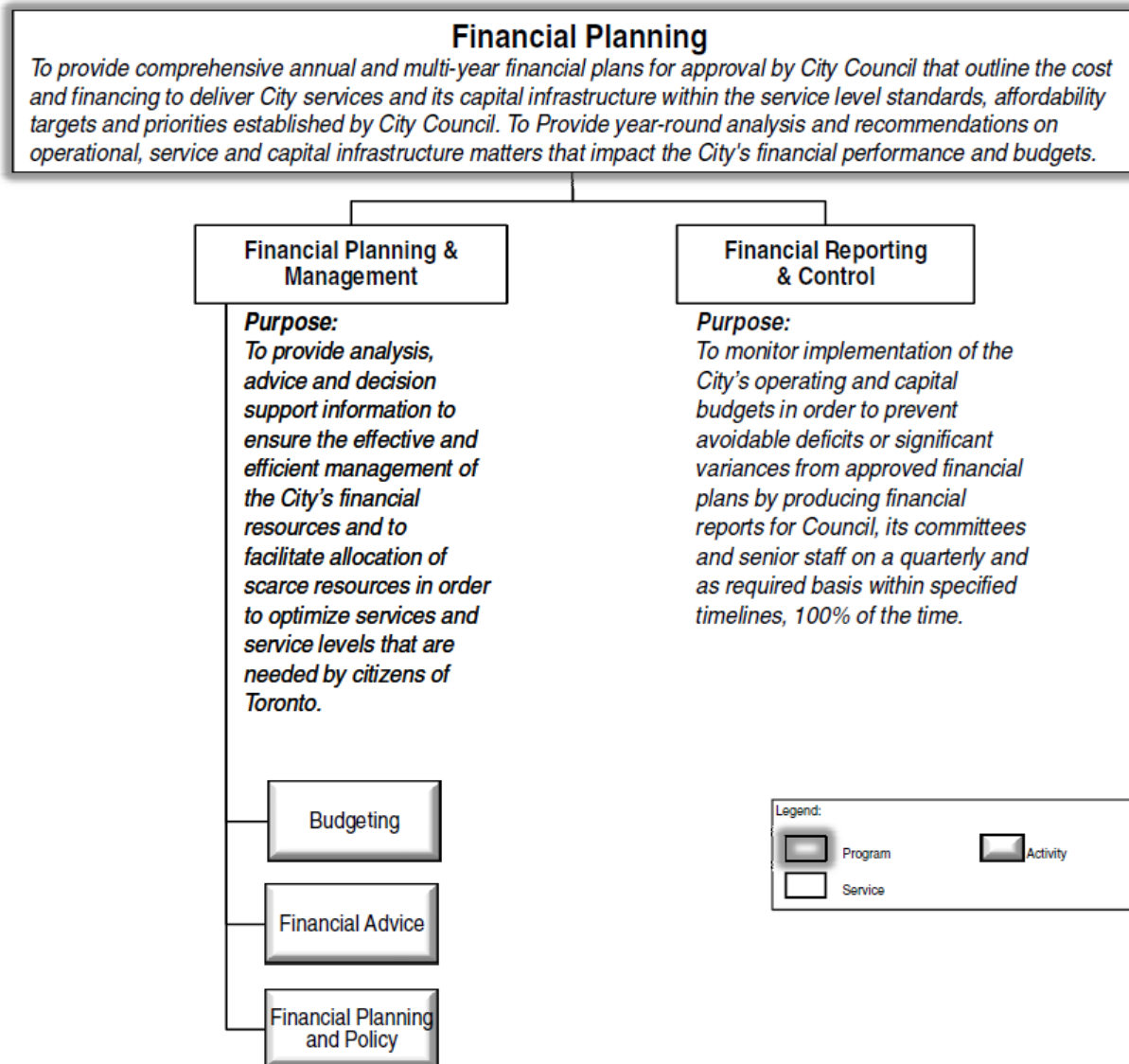
- The City's credit rating has maintained a stable outlook during difficult economic times due to:
 - Interest rate spreads remain stable in relation to the underlying Province of Ontario bonds and in relation to other municipalities.
 - The City has strong credit ratings of AA+ from Moody's, and AA from Standard and Poor's and DBRS. These ratings are based on Toronto's wealthy and diversified economy, low debt burden, very positive liquidity and positive financial management.
 - These excellent ratings reflect the expectation that the City's economy will continue to generate taxable assessment growth

Outcome Measure – City-Wide Development Charges Revenue



- Strong levels of development activity, particularly in the residential sector, boosted development charges revenues to an all time high in 2012.
- Activity is expected to continue to be robust into 2013.
- The forecast for 2014 onward is based on phased implementation of the new DC by-law rate increases, and lower average development activity.

Service Profile: Financial Planning



Service Customer

Financial Planning and Management

- Corporation
- Taxpayer/Stakeholders (Bond rating Agencies, etc.)

Financial Reporting and Control

- Corporation
- Taxpayer/Stakeholders (Bond rating Agencies, etc.)

What we do

- Provide comprehensive annual and multi-year financial plans for approval by City Council that outline the cost and financing to deliver City services and its capital infrastructure within the service level standards, affordability targets and priorities established by City Council.

- Provide year-round analysis and recommendations on operational, service and capital infrastructure matters.

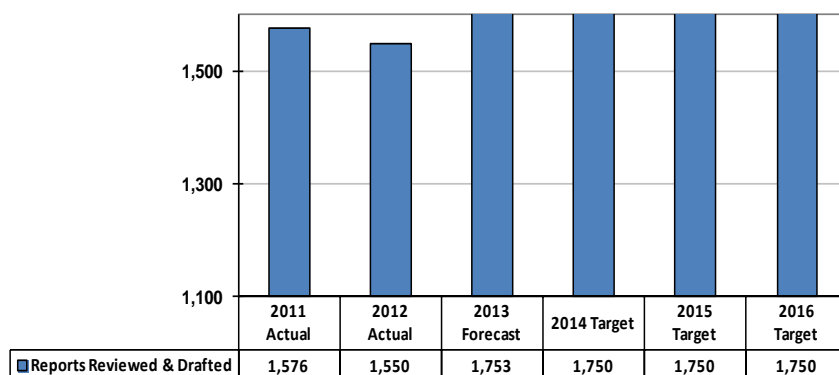
2014 Service Levels

Activity	Type	Sub-Type	Service Levels			
			2011	2012	2013	2014
Budgeting	Operating	Analysis/ Recommendation provided	Balanced Operating budget approved annually by end of year	Balanced Operating Budget approved annually in accordance with Council's mandates within the first month of the fiscal year.	Balanced Operating Budget approved annually in accordance with Council's mandates within the first month of the fiscal year.	Balanced Operating Budget approved annually in accordance with Council's mandates within the first month of the fiscal year.
		Decision Support	Released at least 24 hours for notes and 7 days for Reports, prior to council / committee meeting, 100% of the time			
		Process Management	Process updated and delivered 6 weeks in advance of submission guidelines			
	Capital	Analysis/ Recommendation provided	a recommended Capital budget and plan, annually, in accordance with council's mandates	A recommended Capital budget and plan, annually, in accordance with council's mandates within the first month of the fiscal year.	A recommended Capital budget and plan, annually, in accordance with council's mandates within the first month of the fiscal year.	A recommended Capital budget and plan, annually, in accordance with council's mandates within the first month of the fiscal year.
		Decision Support	Released at least 24 hours for notes and 7 days for Reports, prior to council / committee meeting, 100% of the time			
		Process Management	Process updated and delivered 6 weeks in advance of submission guidelines			
Financial Advice	Decision Support	Reports	Meeting agenda closing deadlines 100% of the time			
		Council Support	Meeting agenda closing deadlines 100% of the time			
		Initiatives	Meeting agenda closing deadlines 100% of the time			
		Issues Management	Responses released within prescribed timelines 100% of the time			
	State of Financial Affairs	Issues Management	Responses released within prescribed timelines 100% of the time			
		Intergovernmental	Provided necessary information to support negotiated stance, 100% of the time			
		Stakeholder Relations (Media/ Council/ Public)	Responses released within prescribed timelines 100% of the time			
Financial Planning and Policy	Service Planning	Analysis/ Recommendation provided	A recommended Service Plan annually by end of year, in accordance with council's priorities and directions			
		Decision Support	Released at least 24 hours for notes and 7 days for Reports, prior to council / committee meeting, 100% of the time			
		Process Management	Process updated and delivered 6 weeks in advance of submission guidelines			
	Program/ Service Review	Analysis/ Recommendation provided	Analysis provided within (turnaround time) 100% of the time			
		Decision Support	Inquiries addressed/ Responses released within prescribed timelines 100% of the time			
		Process Management	Process updated and delivered 6 weeks in advance of submission guidelines			
	Policy Development and Review		Review policies once per year, 100% of the time			
	Budget Monitoring & Control	Operating - Variance	Quarterly within 45 days of quarterly closing			
		Capital - Variance	Quarterly within 45 days of quarterly closing			
		Ad hoc (request)	Responses released within prescribed timelines 100% of the time			
		Active Monitoring	Once per month			
		In-Year Adjustments	Operating/ Capital budget adjustment requests reviewed in advance of Agenda closing deadlines 100% of the time			
	Complement Management Control		Reviewing submitted OCA forms for Financial Implications within 7 days upon receipt from Divisions 75% of the time			

- The 2014 Service Levels are consistent with the 2013 Approved Service Levels.

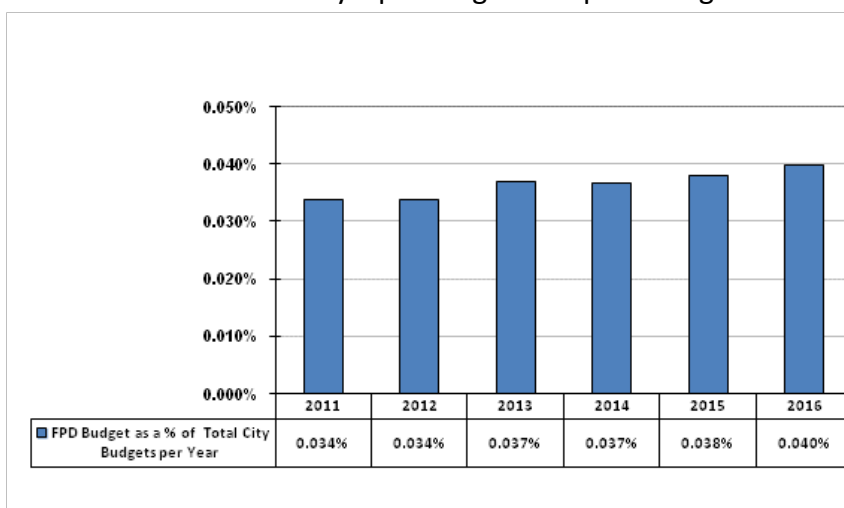
Service Performance Measures

Outcome Measures – Number of Reports Reviewed for Financial Impacts and Advice



- Reviewed and drafted 1,576 reports in 2011.
- 1,753 reports are projected to be reviewed and drafted in 2013.
- The forecast for 2014, 2015, and 2016 to remain relatively stable at an average of 1,750 annually.

Outcome Measures – FPD Operating Budget as a % of Total City Operating and Capital Budgets



- FPD's Net Operating Budget was 0.034 % of the City's Total Operating and Capital Budgets in 2011 of \$13.3 billion.
- In 2013, FPD's Net Operating Budget was 0.037% of the City's Total Operating and Capital Budgets.
- The forecast is that FPD's Net Operating Budget as a percentage of the City's Total Operating and Capital Budget will remain stable at 0.037% in the 2015 year and slightly increase to 0.038% in 2015 and 0.040% in 2016.

IV: 2014 Total Operating Budget

2014 Operating Budget (In \$000s)

(In \$000s)	2013		2014 Operating Budget			2014 vs. 2013 Budget Approved Changes		Incremental Change 2015 and 2016 Plan			
	Approved Budget	Projected Actual	2014 Base	2014 New/Enhanced	2014 Budget			2015		2016	
By Service	\$	\$	\$	\$	\$	\$	%	\$	%	\$	%
Finance & Administration											
Gross Expenditures	2,677.2	2,440.5	2,672.9		2,672.9	(4.3)	(0.2%)	91.4	3.4%	41.8	1.5%
Revenue	91.5	91.5	87.3		87.3	(4.2)	(4.6%)				
Net Expenditures	2,585.7	2,349.0	2,585.6		2,585.6	(0.1)	0.0%	91.4	3.5%	41.8	1.6%
Corporate Finance											
Gross Expenditures	4,787.9	4,662.3	4,898.3	319.6	5,217.9	430.0	9.0%	295.0	5.7%	91.2	1.7%
Revenue	3,025.6	2,945.5	3,136.0	319.6	3,455.6	430.0	14.2%	196.5	5.7%	58.7	1.6%
Net Expenditures	1,762.3	1,716.8	1,762.3		1,762.3	0.0	0.0%	98.5	5.6%	32.5	1.7%
Financial Planning											
Gross Expenditures	8,789.3	7,264.4	8,061.7		8,061.7	(727.6)	(8.3%)	(178.4)	(2.2%)	(1,409.2)	(17.9%)
Revenue	3,691.5	2,804.2	2,963.8		2,963.8	(727.7)	(19.7%)	(678.1)	(22.9%)	(1,596.5)	(69.8%)
Net Expenditures	5,097.8	4,460.2	5,097.9		5,097.9	0.1	0.0%	499.7	9.8%	187.3	3.3%
Total											
Gross Expenditures	16,254.4	14,367.2	15,632.9	319.6	15,952.5	(301.9)	(1.9%)	208.0	1.3%	(1,276.2)	(7.9%)
Revenue	6,808.6	5,841.2	6,187.1	319.6	6,506.7	(301.9)	(4.4%)	(481.6)	(7.4%)	(1,537.8)	(25.5%)
Total Net Expenditures	9,445.8	8,526.0	9,445.8		9,445.8	0.0	0.0%	689.6	7.3%	261.6	2.6%
Approved Positions	127.0	113.0	109.0	3.0	112.0	(15.0)	(11.8%)	(11.0)			

The 2014 Operating Budget for the Office of the Chief Financial Officer of \$15.952 million gross and \$9.446 million net, reflecting 0% increase over the 2013 Approved Operating Budget is comprised of the following services:

- **The Finance & Administration** service's 2014 Operating Budget of \$2.673 million gross reflects a year over year decrease of \$0.004 million or 0.2% below the 2013 Approved Budget gross expenditures.
 - The salary and benefit costs have been reduced by \$0.004 million based on actual experience.
 - Future year incremental costs of \$0.091 million in 2015 and \$0.042 million in 2016 are attributable to COLA increases in salaries and benefits.
- **The Corporate Finance** service's 2014 Operating Budget of \$5.218 million gross reflects a year over year increase of \$0.430 million or 9.0% over the 2013 Approved Budget gross expenditures.
 - Base pressures are mainly attributable to inflationary increases in salaries and benefits (\$0.373 million); materials and supplies (\$0.012 million) and increase for services (\$0.045 million).

- The above expenditure increases are offset by an increase of \$0.080 million in inter-division recoveries and recoveries of \$0.382 million from the Insurance Reserve for staff dedicated to manage insurance including the 3 new positions.
- Reduction in recoveries from TTC by \$0.032 million for time staff will be spending on the Spadina Subway project.
- Future year incremental costs of \$0.099 million net in 2015 and \$.033 million net in 2016 are attributable to increases in salary and benefit costs for progression pay and benefits.
- **The Financial Planning service's** 2014 Operating Budget of \$8.062 million gross reflects a year over year decrease of \$0.728 million or 8.3% below the 2013 Approved Budget gross expenditures.
 - Base pressures are mainly attributable to inflationary increases in salary and benefit costs for progression pay, cost of living adjustments and operating impact of capital (\$0.260 million).
 - The above increases in salaries and benefits are offset by the reduction of 19 temporary staff positions and \$0.988 million in salaries and benefits as these personnel are no longer required for capital projects, which will be recovered from the capital budget (\$0.988 million).
 - Increased recoveries from rate programs and reserves provide additional revenues of \$0.260 million.
 - Future year incremental costs of \$0.500 million in 2015 and \$0.187 million in 2016 are attributable to increases in salary and benefit costs for progression pay and benefits and operating impacts of capital.

Approval of the 2014 Budget will result in a net decrease of 15 positions to the Program's approved staff complement from 127 to 112 as highlighted in the table below:

2014 Total Staff Complement

Changes	2014 Budget	2015 Plan	2016 Plan
Opening Complement	125.0	112.0	101.0
In-year Adjustments	2.0		
Adjusted Staff Complement	127.0	112.0	101.0
Change in Staff Complement			
- Temporary Complement - capital project delivery	(19.0)	(12.0)	
- Operating impacts of completed capital projects		1.0	
- Service Change Adjustments	1.0		
- New / Enhanced	3.0		
Total	112.0	101.0	101.0
% Change over prior year	(11.8%)		

- 19 temporary capital positions are no longer required for the *FPARS* capital project.

- 1 permanent position will be added upon the completion of the *FPARS* project implementation in 2014 within the Financial Planning.
- 3 new permanent positions are in the Corporate Finance Service for insurance and risk management.
- One new position will be added in 2015 to support the *FPARS* project.

**2014 Base Budget
(In \$000s)**

(In \$000s)	2013 Approved Budget	2014 Base	Change 2014 Base vs. 2013 Approved Budget		Incremental Change			
					2015 Plan		2016 Plan	
By Service	\$	\$	\$	%	\$	%	\$	%
Finance & Administration								
Gross Expenditures	2,677.2	2,672.9	(4.3)	(0.2%)	91.4	3.4%	41.8	1.5%
Revenue	91.5	87.3	(4.2)	(4.6%)				
Net Expenditures	2,585.7	2,585.6	(0.1)	0.0%	91.4	3.5%	41.8	1.6%
Corporate Finance								
Gross Expenditures	4,787.9	4,898.3	110.4	2.3%	295.0	6.0%	91.2	1.8%
Revenue	3,025.6	3,136.0	110.4	3.6%	196.5	6.3%	58.7	1.8%
Net Expenditures	1,762.3	1,762.3	0.0	0.0%	98.5	5.6%	32.5	1.7%
Financial Planning								
Gross Expenditures	8,789.3	8,061.7	(727.6)	(8.3%)	(178.4)	(2.2%)	(1,409.2)	(17.9%)
Revenue	3,691.5	2,963.8	(727.7)	(19.7%)	(678.1)	(22.9%)	(1,596.5)	(69.8%)
Net Expenditures	5,097.8	5,097.9	0.1	0.0%	499.7	9.8%	187.3	3.3%
Total								
Gross Expenditures	16,254.4	15,632.9	(621.5)	(3.8%)	208.0	1.3%	(1,276.2)	(8.1%)
Revenue	6,808.6	6,187.1	(621.5)	(9.1%)	(481.6)	(7.8%)	(1,537.8)	(27.0%)
Net Expenditures	9,445.8	9,445.8	0.0%	0.0%	689.6	7.3%	261.6	2.6%
Approved Positions	127.0	109.0	(18.0)	(14.2%)	(11.0)			

The 2014 Base Budget of \$15.633 million gross and \$9.446 million net is \$0 million or 0% under the 2013 Approved Budget of \$9.446 million net. It provides \$0.412 million in funding for base budget increases which have been offset by \$0.412 million in service budget reductions.

Key cost drivers in base budget pressures of \$0.412 million are detailed in the table below:

**Key Cost Drivers
(In \$000s)**

(In \$000s)	2014 Base Budget
Gross Expenditure Changes	
Prior Year Impacts	
Operating Impacts of Capital	
Incremental cost for 1 new position for the sustainment of FPARS	124.0
Economic Factors	
Non-Labour economic factors	4.8
COLA and Progression Pay	
Labour economic factors including 1.75% COLA union/non-union, progression pay including related fringe benefit adjustments	250.6
Other Base Changes	
Reduced Recoveries from TTC	32.5
Total Changes	411.9
Revenue Changes	
Total Changes	-
Net Expenditures	411.9

- In order to offset the above pressures, base expenditure reductions of \$0.412 million are are detailed below:

**2014 Service Change Summary by Program
(In \$000s)**

Description (\$000s)	2014 Service Changes				Net Incremental Impact			
	Position Change	Gross Exp.	Net Expense	% Change over 2013 Budget	2015		2016	
					Net Expense	Pos.	Net Expense	Pos.
	#	\$	\$	%	\$	#	\$	#
Base Changes:								
Base Expenditure Changes								
<i>Savings from Personnel Expenditure</i>								
<i>Projection Review</i>		(17.6)	(17.6)	(0.2%)				
Maintain Gapping Rate		(38.0)	(38.0)	(0.6%)				
Absorb Economic Factors		(2.9)	(2.9)	(0.0%)				
Base Expenditure Change		(58.5)	(58.5)	(0.6%)				
Base Revenue Changes								
Inter-Divisional Recoveries -COLA, Inflation			(151.4)	(1.6%)				
Recovery from Capital Financing Reserve			(202.0)	(159.1%)				
Base Revenue Change			(353.4)	(3.7%)				
Sub-Total		(58.5)	(411.9)	(4.4%)				
Total Changes		(58.5)	(411.9)	(4.4%)				

The 2014 service changes consist of base expenditures and revenue changes of \$0.409 million net and service efficiency savings of \$0.003 million net. In total, the Program has achieved reductions of \$0.412 million net bringing the 2014 Base Budget to \$0 or 0% under the 2013 Approved Budget of \$9.446 million.

The 2014 service changes and 2015 and 2016 incremental impacts are discussed below:

Base Expenditure Changes: (Savings of \$0.056 million gross and \$0.056 million net)

- To maintain the current gapping rate at 2.0%, salary and benefit costs were reduced by \$0.038 million net.
- Reductions of \$0.18 million gross and net in salaries and benefits reflect year over year increase on actual salary and benefit adjustments of \$0.016 million and \$0.034 million in savings due to vacant positions budgeted at lower salary ranges as per the new budgetary guidelines executed through the Personnel Expenditure Projection (PEP) functionality in FPARS's Public Budget Formulation (PBF).

Base Revenue Changes: (Savings of \$0.353 million net)

Increase to Inter-Divisional Recoveries

- Interdivisional recoveries of \$0.151 million from Toronto Water and Solid Waste were increased to offset increased 2014 COLA costs to provide the same level of service as in 2013 for Financial Planning staff assigned to these Programs.

Increase Recovery from Capital Financing Reserves

- The contribution from Capital Financing Reserve in the amount of \$0.202 million was increased to account for inflationary costs for staff salaries that support capital budget activities.

Absorb Economic Factors

- Further review of the expenditures in Financial Planning resulted in a decrease in the materials and supplies and services and rents expenditures category in the amount of \$0.003 million based on actual experience.

2014 New / Enhanced Service Priority Actions

(In \$000s)

Description	2014			Net Incremental Impact			
	Gross Expenditures	Net Expenditures	New Positions	2015 Plan		2016 Plan	
				Net Expenditures	# Positions	Net Expenditures	# Positions
Enhanced Services Priorities							
Increase Service in Insurance & Risk Management	319.6		3.0				
Sub-Total	319.6		3.0				
New Service Priorities							
Sub-Total							
Total	319.6		3.0				

Enhanced Service Priorities

Insurance Service in Insurance and Risk Management

- The Shared Services Efficiency Review by KPMG and the Ombudsman's report on claims handling both identified the need for additional resources to more effectively focus on critical areas of the Insurance and Risk Management operation.
- It is that 3 new positions (1 Supervisor of Claims and 2 Project Managers be added to the Insurance and Risk Management unit effective April 1, 2014 to monitor claims, implement early intervention strategies, take remedial action for past due claims and control losses. They will also support Legal Services by providing timely information pertaining to claims.
- The additional resources will improve service to clients and adherence to risk management principles; reduce claims by mitigating and controlling insurable risks; reduce legal, adjusters and other costs; and reduce future escalating costs.
- Future savings on reduced claims are anticipated in two to three years will be reflected in the Insurance Reserve Fund in non-Program. Annualization of related salaries and benefits of \$0.119 million and \$0 net will be required in 2015.

2015 and 2016 Plan

(In \$000s)

Description (\$000s)	2015 - Incremental Increase					2016 - Incremental Increase				
	Gross Expense	Revenue	Net Expense	% Change	# Positions	Gross Expense	Revenue	Net Expense	% Change	# Positions
Known Impacts:										
Progression Pay	286.6	17.9	268.7	2.8%		324.8	49.1	275.7	2.9%	
Step Increases	5.2	2.8	2.4	0.0%		2.6		2.6	0.0%	
COLA and Fringe Benefits	328.5	59.2	269.3	2.9%		(22.6)		(22.6)	(0.2%)	
Operating Impact from Completed Capital	144.4		144.4	1.5%	1.0					
Annualization	(571.4)	(571.4)	-	0.0%	(12.0)	(1,596.5)	(1,596.5)	-	0.0%	
Non-Labour Economic Factor	14.7	10.0	4.7	0.0%		15.5	9.6	5.9	0.1%	
Sub-Total	208.0	(481.5)	689.5	10.1%	(11.0)	(1,276.2)	(1,537.8)	261.6	3.8%	
Total Incremental Impact	208.0	(481.5)	689.5	10.1%	(11.0)	(1,276.2)	(1,537.8)	261.6	3.8%	

Approval of the 2014 Budget for the Office of the Chief Financial Officer will result in incremental increase of \$0.689 million in 2015 and \$0.261 million in 2016 to maintain 2014 levels of service.

Future year incremental costs are primarily attributable to the following:

Known Impacts for 2015

- *Progression pay* increases for non-union staff of \$0.269 million net.
- *Step increases* for unionized staff will result in \$0.002 million net required based on the negotiated settlement.
- *Cost of living increases* for staff of \$0.269 million net based on the negotiated settlement will be required.
- *Operating impact from completed projects* will add \$0.144 million in salaries and benefits for 1 staff to support the completed FPARS project.
- *Annualization* of the 3 new positions in 2014 in the Insurance and Risk Management unit will increase salaries and benefits by \$0.118 million gross and \$0 million net, as well as a reduction of 12 staff on capital projects will decrease salaries and benefits by \$0.678 million gross with a corresponding reduction for the recovery from the capital budget for a net \$0 million change.
- Non-labour corporate economic factors will increase costs by \$0.005 million.

Known Impacts for 2016

- *Progression pay* increases for non-union staff of \$0.272 million net.
- *Step increases* for unionized staff of \$0.003 million net.
- *Benefits* will be reduced by \$0.023 million net.
- *Annualized cost* reduction of 12 staff on capital projects will decrease salaries and benefits by \$0.678 million gross with corresponding reduction in the recovery from the capital budget for a net \$0 million change.
- Non-labour corporate economic factors will increase costs by \$0.006 million.

V: ISSUES FOR DISCUSSION

2014 Issues

Revised Budget Process for 2014

At its meeting held on January 15 and 16, 2013, City Council, in its consideration of the 2013 Capital and Operating Budgets, directed the Deputy City Manager and Chief Financial Officer to conduct a review of the budget process in early 2013 with a view to making the budget process more transparent for Councillors and the public. Concurrently, City Council, directed the City Manager to provide recommendations for a revised budget process for 2014 in April 2013.

This decision is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX27.1>

In response to Council's recommendations, the Deputy City Manager and Chief Financial Officer invited all members of Council to consult with him and the Director of Financial Planning on ideas to improve transparency within the budget process and to hear any proposed changes to the current process. Revisions to the budget process for 2014 from the Deputy City Manager and Chief Financial Officer are based on the feedback provided during these reviews that had been supported by the majority of Councillors that participated. The following recommendations were adopted as part of the 2014 Capital and Operating Budgets:

1. Transparency in the Budget Process (Recommendation Number 383) / A Better Process for Briefing all Councillors and Reviewing Divisional Budgets and Corporate Accounts (Recommendation 384.b.)

The Deputy City Manager and Chief Financial Officer and the Director of Financial Planning have completed a review that addressed modifying the budget process to enable more transparency for Councillors and the public. The information assembled demonstrates that a majority (nearly three-quarters) of Councillors consulted consider that transparency is appropriately incorporated within the current budget process.

The 2014 Budget Process incorporated the following:

- Financial Planning staff presentations at Town Hall meetings (by ward) to inform the public on the staff operating and capital budgets as well as address any questions that may arise;
- Budget Drop In sessions following the launch of the Operating and Capital Budgets to provide an opportunity for Councillors to ask questions to staff from each Program/Agency relative to the Councillors specific interests;
- Councillors will be provided with supplementary information at the time of the Budget Launch on changes to the 10-Year Capital Plan (from the previous year) by ward.

The City Budget website has been enhanced using Web Dynamics, which creates a new look and feel and is more user-friendly. It improves transparency by providing all budget documents, including analyst notes, briefing notes, presentations and wrap up notes in an

intuitive way, making navigation through sections and links easier. It also allows the public to follow the decision making process, provides directions for participation in the budget process, budget schedule and other relevant information. See the link below:

<http://www.toronto.ca/budget2014>

2. Final Council Approval in February (Recommendation Number 384.a.) / More Time between Committee Meetings and Earlier Distribution of Agendas (Recommendation Number 384.d.)

The 2014 budget schedule incorporated these requests through the following:

- A 2014 Budget schedule that has been extended by 18 days from the previous year, with the focus on adding more time between committee meetings and an earlier distribution of agenda materials;
- A budget schedule that targeted Council approval in January, which maintains best practice;
- Budget materials (Analyst notes and supplementary information) will be available a week in advance of deputations and approximately 2 weeks in advance of Program reviews;
- Planned dates for material distributions for each budget review meeting have been identified for Councillors and the public and have been incorporated in the 2014 Budget Timelines;
 - Materials distributed to members of Council on a continuous basis throughout the budget process.
- In an effort to ensure Councillors are provided with all information requested of staff, while limiting briefing note requests to a level that will ensure material distribution dates are met, the 2014 Budget Process included:
 - Drop in sessions following budget launch and open to all Councillors to allow for an opportunity for Councillors to ask questions of staff from each Program/Agency relative to the Councillors specific interests; and
 - At the drop in sessions, Councillors endeavour to limit briefing note requests during the budget process to items that cannot be answered either at Budget Committee or in advance during the "drop in session".

3. Standing Committee Review of Divisional Service Levels and Standards Prior to the Budget (Recommendation Number 384.c.)

The 2014 Budget process incorporated this request through the utilization of program maps, activities and service levels that was developed for the Financial Planning Analysis Reporting System (FPARS), which also facilitated the core service review, has been included in analyst notes and is approved by Council.

During the 2014 Budget process, City Programs presented service levels, challenges, opportunities and directions to their appropriate Standing Committee in September 2013. The review of divisional service levels and activities along with any Standing Committee recommendations were referred to the budget process for consideration and to guide staff during the 2014 administrative budget review process.

Future years Service Planning processes will both include City agencies; and guide a budget process framed over multiple years within context of current budget targets. As this process evolves, the review will take place in the Spring/Summer, while Programs are preparing future year budget submissions. The process will also include a review of performance (levels of service achieved) to determine targeted service objectives and priority actions have been met.

4. More Local Information-sharing and Community Engagement Opportunities (Recommendation Number 384.e.)

Opportunities for increased community engagement were made available through the review of divisional service levels and activities for City Programs at Standing Committees in September 2013.

Additional options for added/modified community engagement, engagement targeted at specific groups participatory budgeting will be reviewed by the City Manager's Office, however no other recommendations on changes to community engagement are being made at this time.

The Financial Planning Analysis and Reporting System (FPARS) has already improved and streamlined many processes including automatic rollover of future year annualized budget estimates, thus reducing manual effort in budgeting the following year, and reducing manual effort for business cases and forecast for personnel expenditures (salary and benefits). In the future, other benefits will be realized over a longer term as the service-based planning and performance foundation changes take root and become integrated into the City's working and decision-making environment. These include:

- Providing better information in a timely manner; thus enabling Council and the public to discuss and determine levels of service.
- Providing regular performance reporting on City services, objectives and targets, and a Report Card to Council and the public to demonstrate extent to which objectives have been achieved.
- Improving accountability and transparency to the public regarding City services; thus fostering public trust in City government by offering better public access through the City's website, to budgets and related information such as the value of services and the resources allocated to those services.

The 2014 Budget Process will be reviewed following wrap up to identify further improvements to transparency, allow more time for Committee members and Council to review the operating and capital budgets, additional public engagement and opportunities to streamline additional processes.

Appendix 1

2013 Service Performance

2013 Key Accomplishments

In 2013, the Office of the Chief Financial Officer achieved the following results:

- ✓ Obtained Council approval for the 2013 Operating and 2013-2022 Capital Budget and Plan for Rate Supported and Tax Supported Budgets by mid January 2013
- ✓ Delivered City's first service-based 3 year Operating Budget with the successful rollout of the new PBF budgeting tool to City Divisions and Agencies in May 2013 and changes to the financial, payroll and human resources processes being implemented in November 2013. The 2014 Operating Budget reflects the first release of the City's implementation of service-based and performance focused multi-year planning and budgeting that improves accountability regarding City services, their value and the decision making process for those services
- ✓ and delivered changes to the 2014 Budget process that enhances Councillor and public engagement by incorporating Councillor briefings, providing increased preparation time between meetings and delivered Standing Committee reviews of service levels
- ✓ Significantly improved the transparency of the budget process with a redesign of the budget website and Analyst Notes that is structured on City services and introduction of new communications documents to improve the public's understanding of budget issues
- ✓ Provided a comprehensive development charge background study and presented revised by-law which will generate revenues in excess of \$250 million/year for Council consideration and adoption.
- ✓ Implemented modifications to the City's insurance program through insurance licensing and consolidation of shared services among eligible City entities
- ✓ Established new tax ratios after the 2013 reassessment
- ✓ Provided project analysis, advisory, negotiation and research services for major corporate initiatives and multi-lateral projects – Toronto-York Spadina Subway Extension, Waterfront Revitalization, Pan Am Games, Scarborough Subway, Casino Development and Transit Funding Tools
- ✓ Coordinated the development of Cluster 2014 Operating and Capital Budgets and 2015 to 2023 Capital Plans in accordance with divisional and cluster priorities, corporate debt targets and corporate guidelines and timelines.
- ✓ Coordinated the reporting of complaint data for cluster Divisions to the City Manager's Office in accordance with the Customer Service Improvement Framework.
- ✓ Provided consulting, project management and coordination support to program reviews in Pension, Payroll and Employee Benefits and Revenue Services divisions.
- ✓ Reviewed and drafted 1,753 reports for financial implications and advice.

2013 Financial Performance

2013 Budget Variance Analysis
(In \$000s)

	2011 Actuals	2012 Actuals	2013 Approved Budget	2013 Projected Actuals*	2013 Approved Budget vs Projected Actual Variance	
(\$000s)	\$	\$	\$	\$	\$	%
Gross Expenditures	13,354.1	14,042.8	16,254.4	14,367.2	(1,887.2)	(11.6)
Revenues	4,507.5	5,582.4	6,808.6	5,841.3	(967.3)	(14.2)
Net Expenditures	8,846.6	8,460.4	9,445.8	8,525.9	(919.9)	(9.7)
Approved Positions	107.0	109.0	127.0	113.0	(14.0)	(11.0)

* Based on the 3rd Operating Budget Variance Report

2013 Experience

The Office of the Chief Financial Officer's year-end favourable variance is projected to be \$0.919 million or 9.7% below the 2013 Approved Operating Budget of \$9.446 million net.

- The projected favourable variance of \$1.887 million in expenditures is mainly due to deferrals in filling vacant positions.
- The \$0.967 million in projected unfavourable variance revenues is directly related to the non-recovery of capital funding for salary costs due to the unfilled positions for the FPARS project.

Impact of 2013 Operating Variance on the 2014 Budget

- There are 17 vacant positions in the Office of the Chief Financial Officer, of which 11 are temporary capital funded positions for the FPARS project.
- The 2014 budget includes a reduction of 19 temporary capital funded positions for the FPARS capital project.

Appendix 2

2014 Total Operating Budget by Expenditure Category

Program Summary by Expenditure Category (In \$000s)

Category of Expense	2011 Actual	2012 Actual	2013 Budget	2013 Projected Actual	2014 Budget	2014 Change from 2013 Approved Budget		2015 Plan	2016 Plan
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	12,602.6	13,253.5	15,281.0	13,486.6	14,921.8	(359.2)	(2.4%)	15,127.0	13,835.4
Materials and Supplies	40.8	36.6	65.2	47.0	65.7	0.5	0.8%	66.8	67.9
Equipment	4.0	2.8	6.6	18.7	18.7	12.1	183.3%	6.9	7.0
Services & Rents	438.6	502.1	649.2	562.9	694.4	45.2	7.0%	707.9	721.0
Contributions to Capital									
Contributions to Reserve/Res Funds	71.7	72.6	72.6	72.6	72.6	-	0.0%	72.6	72.6
Other Expenditures	0.2	0.2	0.5	0.3	0.5	-	0.0%	0.5	0.5
Interdivisional Charges	196.2	175.0	179.3	179.1	178.8	(0.5)	(0.3%)	178.8	178.8
Total Gross Expenditures	13,354.1	14,042.8	16,254.4	14,367.2	15,952.5	(301.9)	(1.9%)	16,160.5	14,883.2
Interdivisional Recoveries	1,992.8	1,849.9	1,965.5	1,913.6	2,117.3	151.8	7.7%	2,163.5	2,187.2
User Fees & Donations		1.2				-			
Transfers from Capital Fund	942.5	2,163.6	3,264.2	2,376.9	2,274.5	(989.7)	(30.3%)	1,596.5	-
Contribution from Reserve Funds	1,445.7	1,458.9	1,510.3	1,550.7	2,078.8	568.5	37.6%	2,235.7	2,257.4
Contribution from Reserve									
Sundry Revenues	126.5	108.8	68.6		36.1	(32.5)	(47.4%)	29.6	44.4
Required Adjustments									
Total Revenues	4,507.5	5,582.4	6,808.6	5,841.2	6,506.7	(301.9)	(4.4%)	6,025.3	4,489.0
Total Net Expenditures	8,846.6	8,460.4	9,445.8	8,526.0	9,445.8	(0.0)	0.0%	10,135.2	10,394.2
Approved Positions	101.0	109.0	127.0	113.0	112.0	(15.0)	(11.8%)	101.0	101.0

2014 Key Cost Drivers

- Salaries and Benefits is the largest expenditure category and accounts for 93.5% of the Program's gross expenditures, followed by Services & Rents at 4.4%.
- Revenues consist of recovery from capital for salaries and other non-salary expenses which constitute 35% of the total revenues, 32.5% are inter-divisional recoveries from other Programs, and the remaining are recoveries from reserve funds at 32%.

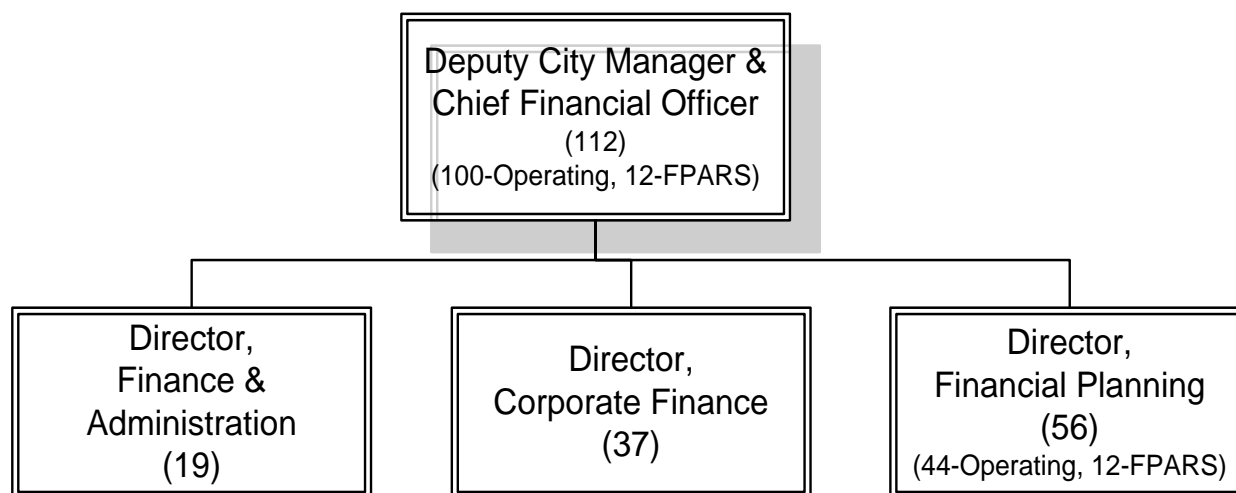
Salaries and Benefits

- Salaries and benefit costs for 2013, 2014, and 2015 includes provision for labour related inflationary pressures in accordance with approved settlements.
- The 2014 Budget for Salaries and Benefits of \$14.922 million reflects a decrease of \$0.359 million or 2.4% from the 2013 Approved Operating Budget.
 - A decrease of \$0.989 million is due to the deletion of 19 temporary capital positions that are no longer required in the FPARS project.

- An increase of \$0.124 million is for the addition of 1 new position to sustain the FPARS project in Financial Planning and a total of \$0.504 million for fringe benefit, cost of living, progression pay and step increases for eligible non-union and union positions.

Appendix 2 - Continued

2014 Organization Chart



2014 Full and Part Time Staff

Category	Senior Management	Management	Exempt Professional & Clerical	Union	Total
Full-Time	4.0	16.0	74.0	18.0	112.0
Part-Time					
Total	4.0	16.0	74.0	18.0	112.0

Appendix 3

Summary of 2014 Service Changes

N/A

Appendix 4

Summary of 2014 New / Enhanced Service Changes

2014 Operating Budget - Council Approved New and Enhanced Services

Summary by Service

(\$000s)

Form ID		Internal Focused Services Program: Office of the Chief Financial Officer	Adjustments				2015 Plan Net Change	2016 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		

1804 To increase service in Insurance & Risk Mgtment - Corp Fi

72 1 Description:

The shared services efficiency review by KPMG and the Ombudsman's report on claims handling both identified the need for additional resources to more effectively focus on critical areas of the operation. It is recommended that 3 new positions (1 Supervisor of Claims and 2 Project Managers) be added to the Insurance and Risk Management unit effective April 1, 2014 to monitor claims, implement early intervention strategies, take remedial action for past due claims and control losses. They will also support Legal Services by providing timely information pertaining to claims.

Service Level Impact:

The additional resources will improve service to clients and adherence to risk management principles; reduce claims by mitigating and controlling insurable risks; reduce legal, adjusters' and other costs; and reduce future escalating costs. Future savings are anticipated in two to three years which will be reflected in the Insurance Reserve Fund in Non-Program.

Service: CPF-Risk Management & Insurance

Staff Recommended:	319.6	319.6	0.0	3.0	0.0	0.0
BC Recommended Change:	0.0	0.0	0.0	0.0	0.0	0.0
EC Recommended Change:	0.0	0.0	0.0	0.0	0.0	0.0
CC Recommended Change:	0.0	0.0	0.0	0.0	0.0	0.0
Total Council Approved:	319.6	319.6	0.0	3.0	0.0	0.0
 Staff Recommended:	 319.6	 319.6	 0.0	 3.0	 0.0	 0.0

Category:

- 71 - Operating Impact of New Capital Projects
- 72 - Enhanced Services-Service Expansion
- 74 - New Services
- 75 - New Revenues

2014 Operating Budget - Council Approved New and Enhanced Services

Summary by Service

(\$000s)

Form ID		Internal Focused Services Program: Office of the Chief financial Officer	Adjustments				2015 Plan Net Change	2016 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		
Budget Committee Recommended:			0.0	0.0	0.0	0.0	0.0	0.0
Executive Committee Recommended:			0.0	0.0	0.0	0.0	0.0	0.0
City Council Approved:			0.0	0.0	0.0	0.0	0.0	0.0
Council Approved New/Enhanced Services:			319.6	319.6	0.0	3.0	0.0	0.0

Category:

- 71 - Operating Impact of New Capital Projects
- 72 - Enhanced Services-Service Expansion
- 74 - New Services
- 75 - New Revenues

2014 Operating Budget - Council Approved New and Enhanced Services

Summary by Service

(\$000s)

Form ID		Internal Focused Services Program: Office of the Chief financial Officer	Adjustments				2015 Plan Net Change	2016 Plan Net Change
Category	Priority		Gross Expenditure	Revenue	Net	Approved Positions		

Summary:

Staff Recommended:	319.6	319.6	0.0	3.0	0.0	0.0
Budget Committee Recommended:	0.0	0.0	0.0	0.0	0.0	0.0
Executive Committee Recommended:	0.0	0.0	0.0	0.0	0.0	0.0
City Council Approved:	0.0	0.0	0.0	0.0	0.0	0.0
Council Approved New/Enhanced Services:	319.6	319.6	0.0	3.0	0.0	0.0

Category:

- 71 - Operating Impact of New Capital Projects
- 72 - Enhanced Services-Service Expansion
- 74 - New Services
- 75 - New Revenues

Appendix 5

Inflows/Outflows to/from Reserves & Reserve Funds

Corporate Reserve / Reserve Funds (In \$000s)

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2013	Proposed Withdrawals (-) / Contributions (+)		
			2014	2015	2016
		\$	\$	\$	\$
Projected Beginning Balance			545.4	(1,229.7)	(3,156.6)
Insurance Reserve Fund	XR1010	18.3	(1,645.7)	(1,797.5)	(1,819.2)
Insurance Reserve Fund	XR1010		72.6	72.6	72.6
Capital Financing Reserve	XQ0011	527.1	(202.0)	(202.0)	(202.0)
Total Reserve / Reserve Fund Draws / Contributions		545.4	(1,229.7)	(3,156.6)	(5,105.2)
Other program / Agency Net Withdrawals & Contributions					
Balance at Year-End		545.4	(1,229.7)	(3,156.6)	(5,105.2)

Program Specific Reserve and Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2013	Proposed Withdrawals (-) / Contributions (+)		
			2014	2015	2016
		\$	\$	\$	\$
Projected Beginning Balance			5.5	(225.6)	(461.8)
Development Charges	XR2120	5.5	(231.1)	(236.2)	(236.2)
Total Reserve / Reserve Fund Draws / Contributions		5.5	(225.6)	(461.8)	(698.0)
Other program / Agency Net Withdrawals & Contributions					
Balance at Year-End		5.5	(225.6)	(461.8)	(698.0)