

May 1, 2001

OPERATING BUDGET 2001 DETAILS

City Council Approves A \$6.1 Billion Operating Budget

Today, Toronto City Council approved its 2001 Operating Budget of \$6.1 B gross and \$2.7 B net. The 2001 approved operating budget results in a gross expenditure increase of \$155 million or 2.6% and a net expenditure increase of \$139 million or 6.6% over the 2000 approved budget.

Fixed costs of \$261 million to deliver services approved by Council in 2000 have been reduced to \$194 through revenue generation; savings and efficiencies in service delivery and the elimination of any financial flexibility in major revenue and expenditure items. Net new service changes include \$18.9 million in new debt service costs plus \$9 million for minimal new services offset by \$19 million in new revenue initiatives. The 2001 approved operating budget directs additional funding to staff supporting Council priorities.

Provincial regulation changes, largely from the City's ability to freeze 2000 commercial and industrial tax ratios and reduce the multi-residential ratio created a CVA shift of \$61.5 million of the municipal tax burden from the residential property class to the commercial property classes and the application of a one-time \$50 million Provincial grant, assisted in reducing net pressures.

This, coupled with assessment growth of \$29 million reduces the 2001 budget shortfall to \$48.1 million or a 5% increase in the tax rate for homeowners given that provincial regulations limit tax increases to the residential sector only.

The rationalization of responsibilities and regulation changes by the Province has resulted in the downloading of additional services and service costs to the City and they continue to be a financial challenge for the City to address.

The budget process for 2001 reflects the implementation of elements of the new budget process proposed by the Chief Administrative Officer, Michael Garrett and the Chief Financial Officer and Treasurer, Wanda Liczyk.

For 2001, Standing Committees have played a significantly enhanced role in the determination of service delivery efficiencies, service priorities, service levels and service level adjustments. This year, the staff-recommended program budgets were first forwarded to each Standing Committee for review of the respective programs that fall under its purview and to receive public depositions. The Standing Committee recommendations were then forwarded to the Budget Advisory Committee (BAC) to integrate the Standing Committee priorities into a balanced financial package.

2001 KEY BUDGET HIGHLIGHTS

Fixed costs to deliver current services have been reduced. The preliminary pressures of \$305 M included \$261 M in fixed costs to deliver the services approved by Council in 2000. City Council reduced these costs to \$249 M and further offset them by reductions of \$55 M to \$194 M. This was achieved primarily through additional revenue generation of \$21M and service efficiencies/service level adjustments of \$48 M, resulting in a 2001 Operating Budget that comprises the following revised pressures of \$203 M:

	Preliminary Pressures (\$million)	Council Approved (\$million)	Change In Pressures (\$million)
<u>A. Base Budget Changes:</u>			
Salaries & Wages	\$108	\$98	(\$10)
Supplies & Services	38	34	(4)
Other Base Changes	40	61	21
Impacts of Previous Decisions	15	9	(6)
Additional Down/Side Loading	47	47	0
Revenue Loss/(Gain)	13	(8)	(21)
Service Level Adjustments	<u>0</u>	<u>(43)</u>	<u>(47)</u>
Sub-Total	261	194	(67)
<u>B. New Service Changes:</u>			
Debt Charges	22	19	(3)
New Services	22	9	(13)
New Revenue Initiatives	<u>0</u>	<u>(19)</u>	<u>(19)</u>
Sub-Total	44	9	(35)
	305	203	(102)
<u>C. Provincial Funding Changes:</u>			
Provincial Regulations		14.5	
Provincial Announcement		<u>50</u>	
Sub-Total		64.5	
<u>D. Other Factors:</u>			
CVA Tax Shift		62	
Assessment Growth		<u>29</u>	
Sub-Total		48	
TOTAL	\$305 M	\$48 M	(\$257 M)

FLEXIBILITY IN THE OPERATING BUDGET REMOVED

The 2001 Operating Budget reflects savings and efficiencies in service delivery as well as the elimination of any financial flexibility in major expenditure and revenue items in the budget. For example:

- The annual welfare caseload has been reduced from 77,000 to 65,000 cases (\$18 M) with no allowance for any increases;
- Revenue from prior year surplus has been reduced from \$40 M to \$10.5 M; and,
- Corporate Contingency Account has been reduced from \$7.7 M to \$2.2 M for 2001.

Departments such as Works and Emergency Services and Economic Development, Culture and Tourism and Finance reduced their budgets by a sum of \$5.5 M based on actual expenditures experienced in 2000. The revenue estimate for building permit fees has been increased by \$3.1 M based on actual permit activity experienced in 2000.

NEW SERVICE CHANGES MINIMIZED

The 2001 approved operating budget includes \$19 M for new debt charges arising out of the City's Capital Program plus \$9 M in new services offset by \$19 M in new revenue initiatives and \$50 million in a one-time Provincial grant. For example:

- New fees of \$25 for children's instructional recreational programming and \$125 for specialty summer day camps for a total of \$2 M in 2001 & \$3.1 M in 2002
- Zoning review application fee (full cost recovery standardized City-wide) - \$0.544 M additional revenue
- Clean City Initiative: Students hired for summer litter cleaning (82 FTE's) - \$0.890 M
- New Funding for Tenant Support Grants to hire legal counsel and other professional services - \$0.30 M

STAFFING INCREASED TO ADDRESS COUNCIL PRIORITIES

An additional 467 full-time equivalents (FTEs are funded in the 2001 Recommended Operating Budget, representing a 1.1% increase in the total complement for the City, including agencies, boards and commissions (ABC's). Of this amount, 207 FTEs are required to deliver Provincially-mandated programs while the balance, a net 270 FTEs, are primarily attributable to the City's ABCs (TTC: 214; Exhibition Place: 18).

A. BASE BUDGET CHANGES

The 2001 base budget reflects increased fixed costs of \$236 M, adjusted for provincial assistance to deliver services approved by Council in 2000. Significant changes are:

Increased Costs

- Salaries and Wages - \$98 M
- Increased Utility and Fuel Costs - \$16.4 M:
 - TTC - \$6.9 M; Shelters - \$3.3 M; Facilities - \$2.3 M; Transportation - \$1 M; Police - \$0.700 M
- Supplies and Services: \$18 M
 - Transportation - \$7.8 M; TTC - \$3.3 M; Solid Waste - \$1 M; Parks and Recreation - \$2.2 M; Urban Development Services - \$1.4 M
- Increased Down/Side Loading: \$46 M:
 - Annualized rental costs for school facilities - \$6.3 M (Children's Services - \$1.1 M; Parks - \$5.2 M)
 - User fees incorporated in the calculation of Provincial revenue for child care services - \$3 M
 - Social Housing Devolution costs - \$3.9 M gross and \$1.4 M net
 - Extra Provincial billing for the Ontario Disability Support Program (ODSP) - \$3.1 M
 - Addn'l debt service costs for TTC /GO Transit capital works due to loss of provincial support - \$30 M
 - Reduced Provincial revenue from Provincial Offences Act transfer – \$4.5 M
 - Provision for maintenance of Toronto District School Board pools - \$0.540 M
 - Reduction of billed administration costs for delivery of Social Services programs – (\$1 M)
- Other Base Changes: \$49 M:
 - Increased haulage contract costs in Solid Waste - \$12.9 M
 - GO Transit operating requirements and expansion - \$13.1 M
 - Corporate Expenditures: Vacancy Rebate Program - \$17 M gross and \$0 net;
 - Increased Employee Related Liabilities - \$9.5 M;
 - Contributions to Fleet Reserve for Fire and Solid Waste - \$5.9 M
 - TTC vehicle and facilities maintenance - \$5.2 M;
 - Annualization of City computer leasing program - \$4.6 M;
 - Additional nursing care for increased complexity of care and associated supplies - \$4.4 M gross (\$0.175 M net)
 - Increased Grass Cutting Costs - \$1.2 M
 - Increased Salt Costs - \$1 M

Major Savings

- Annual welfare caseload reduced from 77,000 to 65,000 cases - \$144.5 M gross and \$18 M net
- Adjustment to GTA Pooling revenue calculation - \$6 M
- Reduction in debt service costs for relief of PST costs for subway car lease program - \$6 M
- Social housing mortgage rollover savings - \$24 M gross and \$6.4 M net
- Reduction in Corporate Contingency Account - \$4.7 M
- GO Transit reduced maintenance costs - \$3.8 M
- Increased waste tonnage at transfer stations - \$0.940 M
- ELF Bus Savings in TTC - \$0.353 M
- Reduction in Councillors' Global Budgets by 10% - \$0.260 M

Impacts of Prior Year Council Decisions

The 2001 recommended base budget makes provision of \$9 M for the financial impacts of prior year Council decisions, including the annualization of funding for service changes approved in 2000 as well as the operating impacts of previously approved capital works programs. They include the following significant changes:

- **Annualized Costs of Previous Council Approvals:**

- ❑ Purchased Daycare Services Actual Cost - \$3.3 M gross & \$0.666 M net
- ❑ Special Needs Resourcing and Resource Centre - \$0.500 M gross & \$0.100 M net
- ❑ York Before and After School Program - \$0.160 M
- ❑ Early Childhood Pilot Project (CYACC) - \$0.300 M gross & \$0 net
- ❑ Sunday Service Expansion to 8 Neighbourhood Libraries - \$0.105 M
- ❑ Youth Job Corps - \$0.069 M gross & \$0 net
- ❑ Film and Television Office Harmonization - \$0.235 M gross & \$0.055 M net
- ❑ Children Youth & Action Committee, & Mayor's Action Plan Initiatives in Parks & Rec. - \$0.700 M
- ❑ Forestry Backlog Program - \$0.162 M
- ❑ Non-Recurring Millennium Celebration Funding – (\$0.270) M
- ❑ Savings from Reducing Council size from 57 to 44 – (\$3.3) M
- ❑ Additional Paramedics and 100% Funded Dispatchers - \$1.3 M gross & \$0.580 M net
- ❑ Extension of sidewalk snowclearing to arterial roads and bus stops in District 1 and 4 resulting (year 3 of 4) - \$1.6 M. Phase three completes the harmonization of sidewalk snowclearing on arterial road across the City. Phase four for local roads has been deferred.
- ❑ Annualization of CYACC Initiatives approved in 2000 for Public Health:
 - prenatal nutrition: \$0.487 M gross & \$0.244 M net
 - Physical fitness: \$0.208 M gross & \$0.104 net
 - Peer Nutrition: \$0.461 M gross & 0.231 M net
 - Child of Risk Mentoring: \$0.66 M gross & 0.66 M net
 - Youth Violence: \$0.248 M gross & 0.124 M net
 - Mental Health: \$0.136 M gross & \$0.043 M net

- **Impact of Previously Approved Capital Programs:**

- ❑ Seaton House Renovations - \$0.712 M
- ❑ Increased Parks operating and maintenance costs for Woodbine Parks and Maryvale/Wexford and Heron Park Community Centres - \$1.1 M
- ❑ Debt Service Costs for debt issued in 2000- \$2.3 M
- ❑ IT Leasing initiatives for Public Health - \$2.2 M

Revenue Changes

The above major base budget changes for 2001 have been reduced by additional revenue adjustments and service level adjustments, as noted below:

- **Rate Increases:**

- ❑ Go Transit 15 cent fare increase effective May 1, 2001 - \$8.8 M
- ❑ TTC 10 cent fare increase - \$16.6 M
- ❑ Zoo admission fee increase, \$2 for adults & \$1 for Seniors & Children to \$11 & \$9, respectively - \$1 M
- ❑ Per diem increase from \$2.34 to \$2.73 based on 2000 parents mix for Children's Services - \$2.4 M

Rate increases continued:

- ❑ User fee revenue increase based on Provincial rates for Homes for the Aged - \$1.2 M
- ❑ Golf Fee average increase of \$2 per round for adults - \$0.500 M
- ❑ New Vending Contract for Parks Concessions - \$0.578 M
- ❑ Permit fee increases for stadium usage (\$0.029 M) and picnics (\$0.155 M)
- ❑ Harmonized pool permit fees (\$0.047 M); gym usage - adult groups (\$0.03 M); sports fields (\$0.24 M)
- ❑ 25% increase in permit rental rates for minor hockey, MTHL and adult ice time - \$0.780 M
- ❑ \$1.50 per month permit & front yard parking fee increase to increase funding for street cleaning around parked vehicles- \$0.560 M
- ❑ \$2 Tipping Fee at Keele Valley and transfer stations - \$0.300 M
- ❑ Transit Shelter, utility cut increases, red light camera recoveries & other revenue changes - \$4.4 M
- ❑ Provincial stabilization funding for Homes for the Aged - \$2.5 M
- ❑ Corporate Sponsorships on Ferries - \$0.240 M

• **Other Changes to Revenue:**

- ❑ Increased Community Partnership Policing Grant for annualized cost of hiring of 300 front-line officers- \$0.700 M
- ❑ Extend parking lot charges at parks on the waterfront and other (\$0.250 M)
- ❑ Increased Parking Tag recoveries - \$0.516 M
- ❑ Reduced Payments in Lieu of Taxes due to conversion of Hydro Buildings to Taxable Status – (\$21 M)
- ❑ Reduced Revenue from Tax Penalties – (\$10.1 M)
- ❑ Reduced Revenue from Prior Year's Surplus – (\$29.5 M)
- ❑ Increased Supplementary Tax Revenue - \$5 M
- ❑ Other Tax Revenue - \$29.3 M
- ❑ Building Permit Fee revenue based on 2000 actual experience - \$3.1 M
- ❑ Increased revenue at Keele Valley based on additional volume - \$1.3 M.
- ❑ Increase in revenue from City's share of Toronto Parking Authority net income resulting from the installation of 500 additional Pay/Display machines & additional metered parking spaces - \$3.8 M

Service Level Adjustments

- Unspecified budget reduction for Police - \$0.364 M
- Unspecified budget reduction for TTC - \$26.6 M
- Unspecified budget reduction for Library - \$2 M
- Reduced Clerks' support to Council, Vital Statistics and Records and Archives - \$0.345 M
- Adjusted office cleaning services at Metro Hall - \$0.440 M
- Unspecified budget reduction for Facilities - \$1.3 M
- Reduced ability to support programs for Human Resources services - \$0.740 M
- Deferral of IT projects and reduced Help Desk support for Clerks and Metro Hall - \$1 M
- Departments required to fund additional disk storage beyond 2000 levels - \$0.375 M
- Closure of The Pier Museum - \$0.477 M gross & \$0.203 M net
- Elimination of twice per week garbage collection in former North York and parts of former Etobicoke - \$0.840 M
- Reduction in summer contracts for road maintenance - \$1.8 M

Service level adjustments continued:

- Reduction in grass cutting from 8 to 6 times per year - \$1 M
- Reduction in litter cleaning around parked cars - \$0.430 M
- Vehicle ferry service reduced from 2 shifts to 1 shift per day - \$0.150 M
- Reduction in preventative maintenance in Parks facilities (\$0.196 M) and parks (\$0.678 M), focusing on priority requests and emergency repairs only
- Reduction in artificial ice rink operating season to 10 weeks - \$0.096 M

B. NEW SERVICE CHANGES

The 2001 approved operating budget includes \$19 M for new debt charges arising out of the City's Capital Program plus \$9 M in new services offset by \$19 M in new revenue initiatives and \$50 million in a one-time Provincial grant.

New Service Changes

- Community Partnership Initiative support (federally-funded homelessness program) - \$11.6M gross (\$0 net)
- MLS Taxi Training Unit - \$0.356 M gross & (\$0.094) M net
- TTC Service Expansion - \$9.8 M gross & \$1.8 M net
- Healthy Babies/Healthy Children Expansion - \$1.2 M gross & \$0 net
- Pre-School Speech and Language Program Expansion - \$1.2 M gross & \$0 net
- Hostel head office and other support - \$1.2 M gross & \$0.764 M
- Tenant Support Grants - \$0.300 M
- MLS Student Program - \$0.368 M gross & (\$0.032) M net
- 3Rs Implementation – several pilot project initiatives to improve waste diversion rates - \$0.684 M
- Clean City Initiative – Students hired (74 FTEs) for summer litter cleaning - \$0.635 M
- 3 additional Transportation By-law Enforcement Officers - \$0.201 M
- York Before & After School Program - \$0.160 M
- Pesticide reduction initiatives (\$77k) to be absorbed into the Parks and Works budgets.
- Food Safety Disclosure Program: \$0.317 M
- Clean Air Campaign/Smog Summit initiative of 50k to be absorbed into the Public Health budget

New Revenue Initiatives

- New fees of \$25 for children's instructional recreational programming and \$125 for specialty summer day camps for a total of \$2 M in 2001 & \$3.1 M in 2002
- Zoning review application fee (full cost recovery standardized City-wide) - \$0.544 M additional revenue
- Change in building permit application fee structure - \$1.8 M
- Removal of cap on Zoning By-law application fees - \$0.700 M
- User Fees from school boards for weekly garbage and recycling collection effective July 1, 2001 - \$0.175 M
- Revenues from the implementation of slot machines at Woodbine Racetrack - \$12 M
- One-time Provincial grant - \$50 M

The net 2001 Recommended Operating Budget Base Budget and New Service Changes for City Operations, ABCs and Non-Program Accounts are:

SUMMARY OF 2001 BASE AND NEW SERVICES CHANGES (\$000'S)						
	2000 Approved Budget	2001 Approved Budget	Change from 2000		Base Budget Changes	New Services Changes
			\$	%		
City Operations	\$1,476.7	\$1,515.1	38.4	2.6	40.2	-1.8
ABCs	964.6	1,002.3	37.7	3.9	33.8	3.9
Non-program	157.6	220.3	62.7	39.8	105.8	-43.1
TOTAL	\$2,598.9	\$2,737.7	138.8	5.3	179.8	-41

The increase of \$62.7 M for 2001 recommended Non-Program costs is primarily attributable to new debt service costs of \$19 M; reduced payments in lieu of \$24.4 M and reduced tax penalty revenue of \$10.1 M. The increased debt service costs arising from approval of the 2001 capital works program has resulted in City and agency initiatives being minimized to enable funding of new debt service costs.

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