

City of Toronto
CAO and Commissioners
2002 Recommended Budget

Agenda

1. Budget Guidelines & Principles
2. Capital Budget
3. Base Operating Budget
4. New / Enhanced Operating Budget
5. Special Initiatives
6. Fiscal Sustainability
7. Conclusion & Budget Schedule

Budget Guidelines and Principles

Council 2002 Budget Guidelines

- Increase focus on service levels and performance measures
- Achieve budget savings through continuous improvement, efficiencies, service delivery review and other cost containment strategies
- Work to keep taxes and debt levels as low as possible
- Work with senior governments to improve fiscal sustainability

Highlights

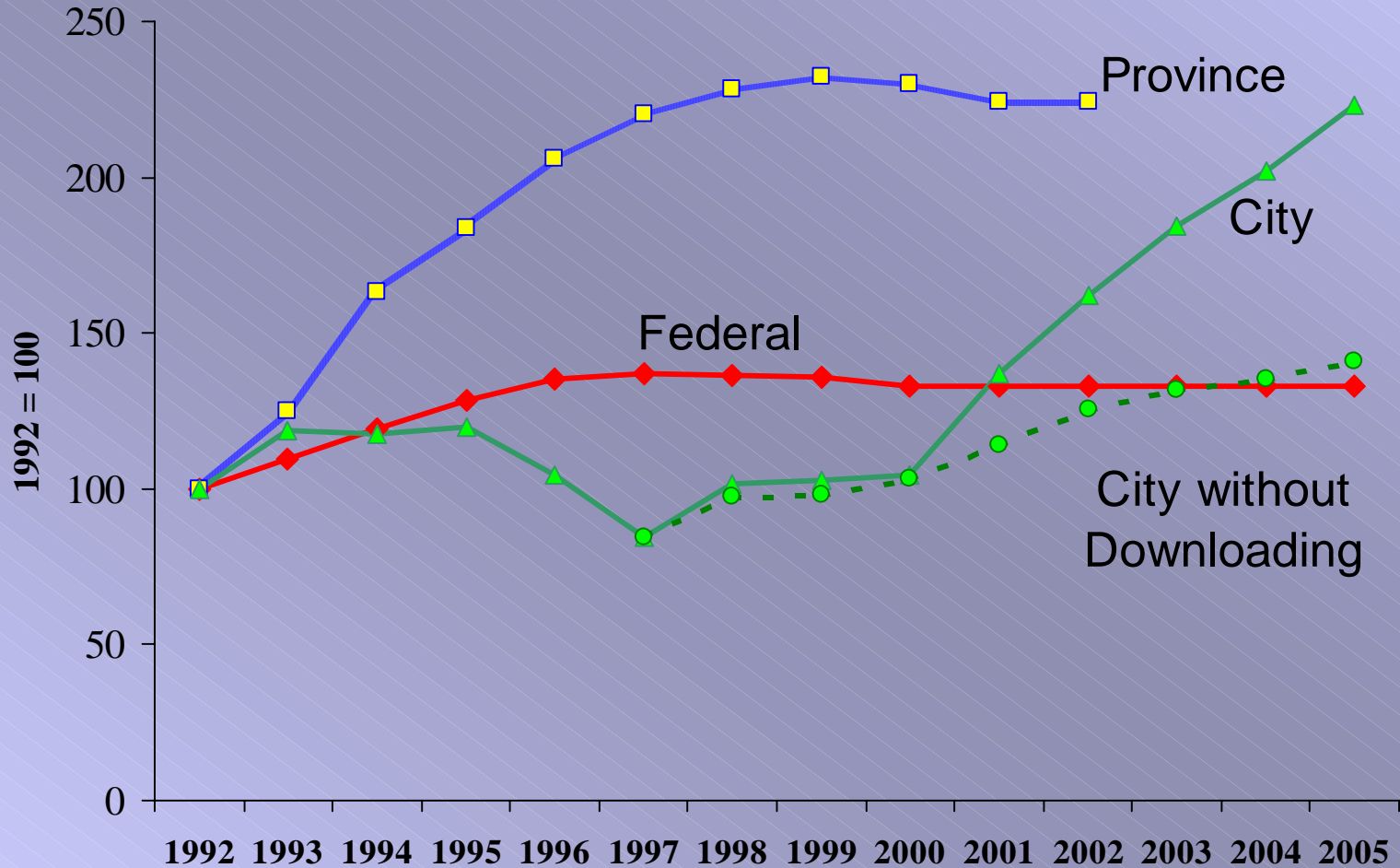
- 2001 service levels protected
 - Police, Fire, EMS, Parks & Recreation, Solid Waste Management
- Managed and limited debt increase
 - Smaller Capital Budget
- Limited tax increase
 - Recommended increase on total tax base of 1.7%
 - Provincial Bill 140 restricts increase to homeowners only
 - Given Bill 140 restriction 4.8% residential tax increase
- Increased Accountability

2002 - 2006 Capital Program and Budget

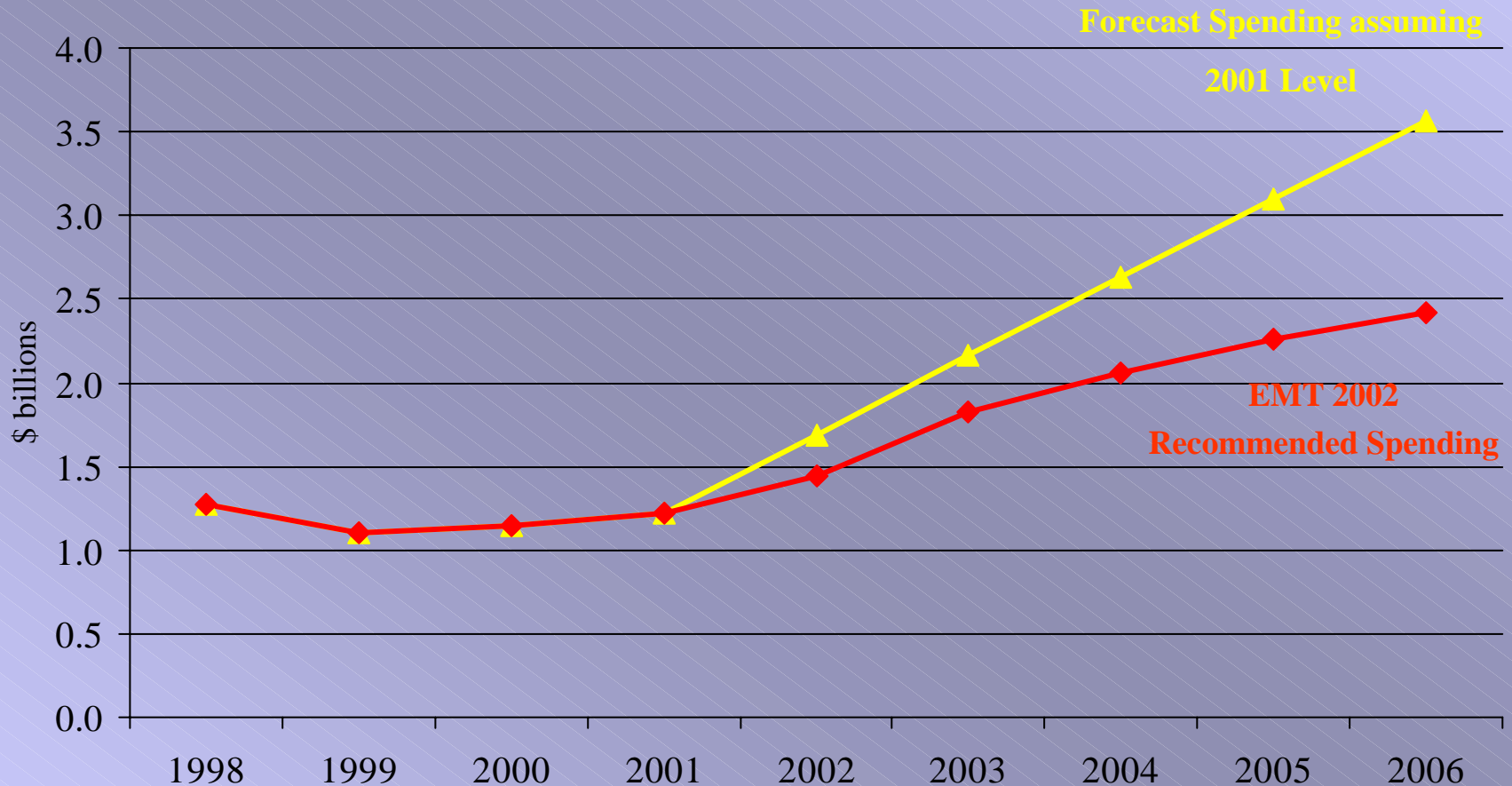
Capital Budget Process

- Prioritize projects within prescribed categories:
 - 1 Health & Safety
 - 2 Legislated
 - 3 State of Good Repair
 - 4 Service Improvement & Enhancement
 - 5 Growth Related
- Review all previously approved projects
- Focus of Budget is on first 3 priority categories
- Minimize debt and other operating budget impacts
- Reduced Capital Budgets Submission by over \$275 million
- Separated TTC Capital Budget & Funding Issues

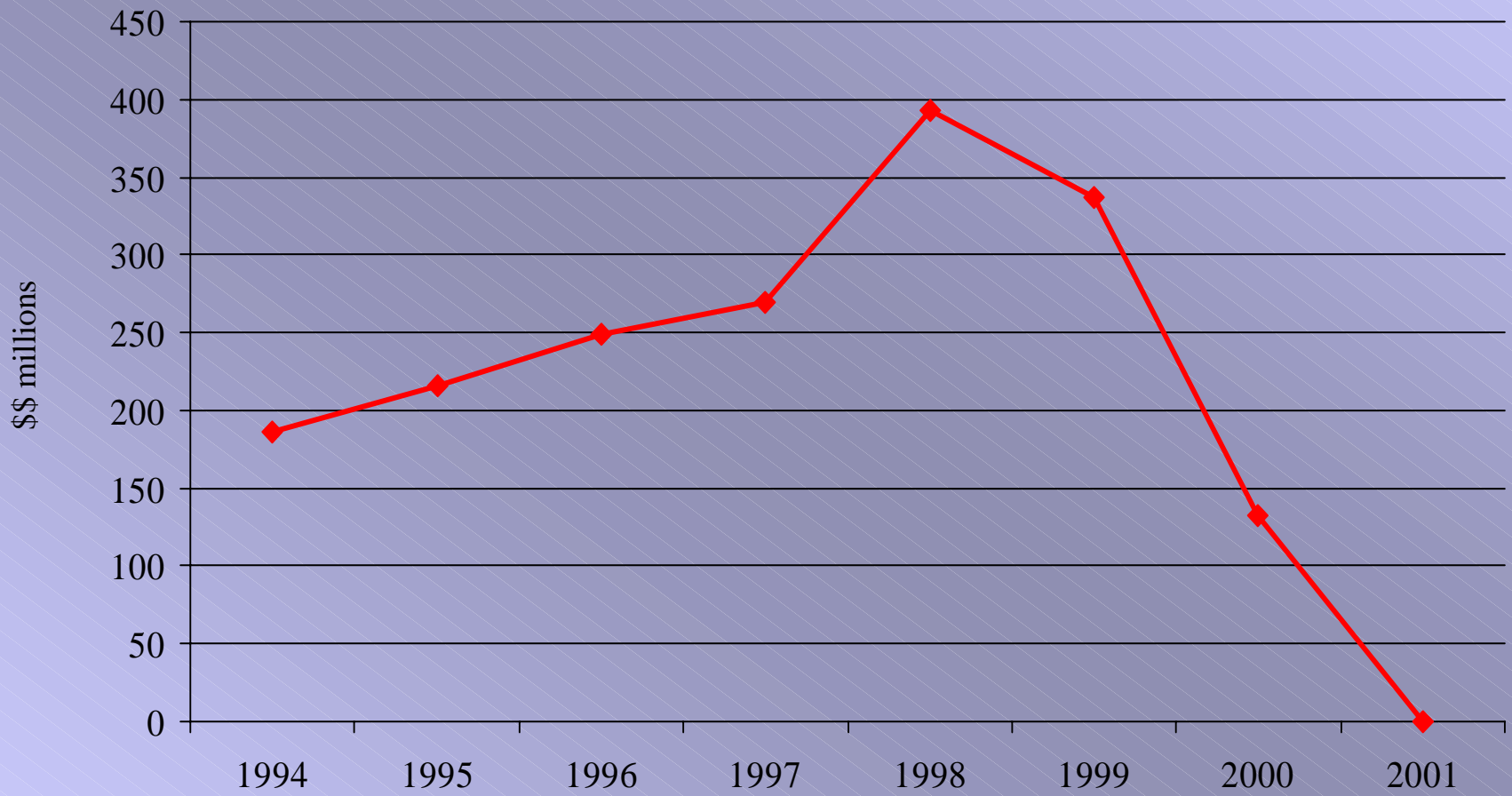
Debt Levels are Rising



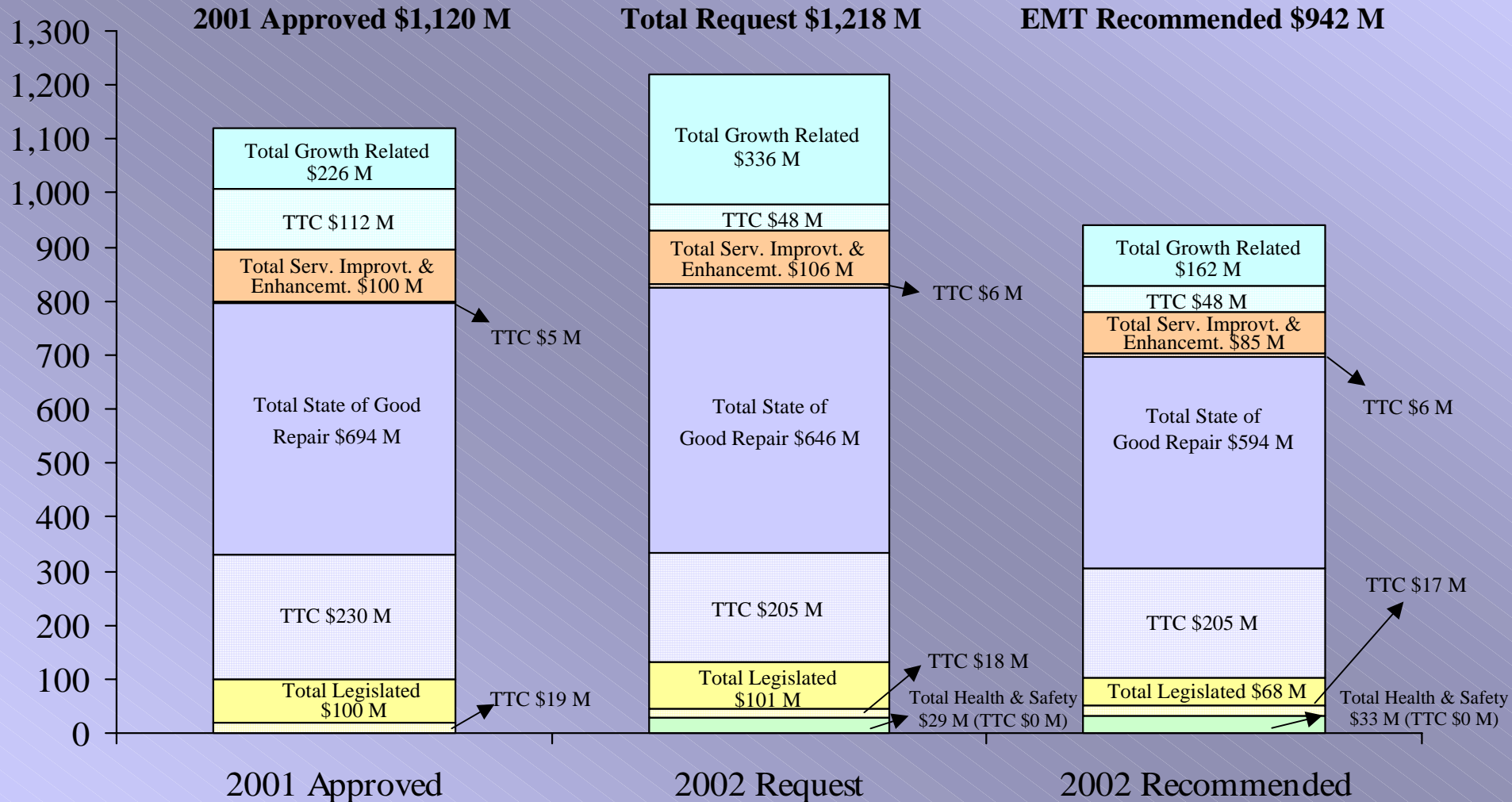
Cumulative Net Debt Scenarios



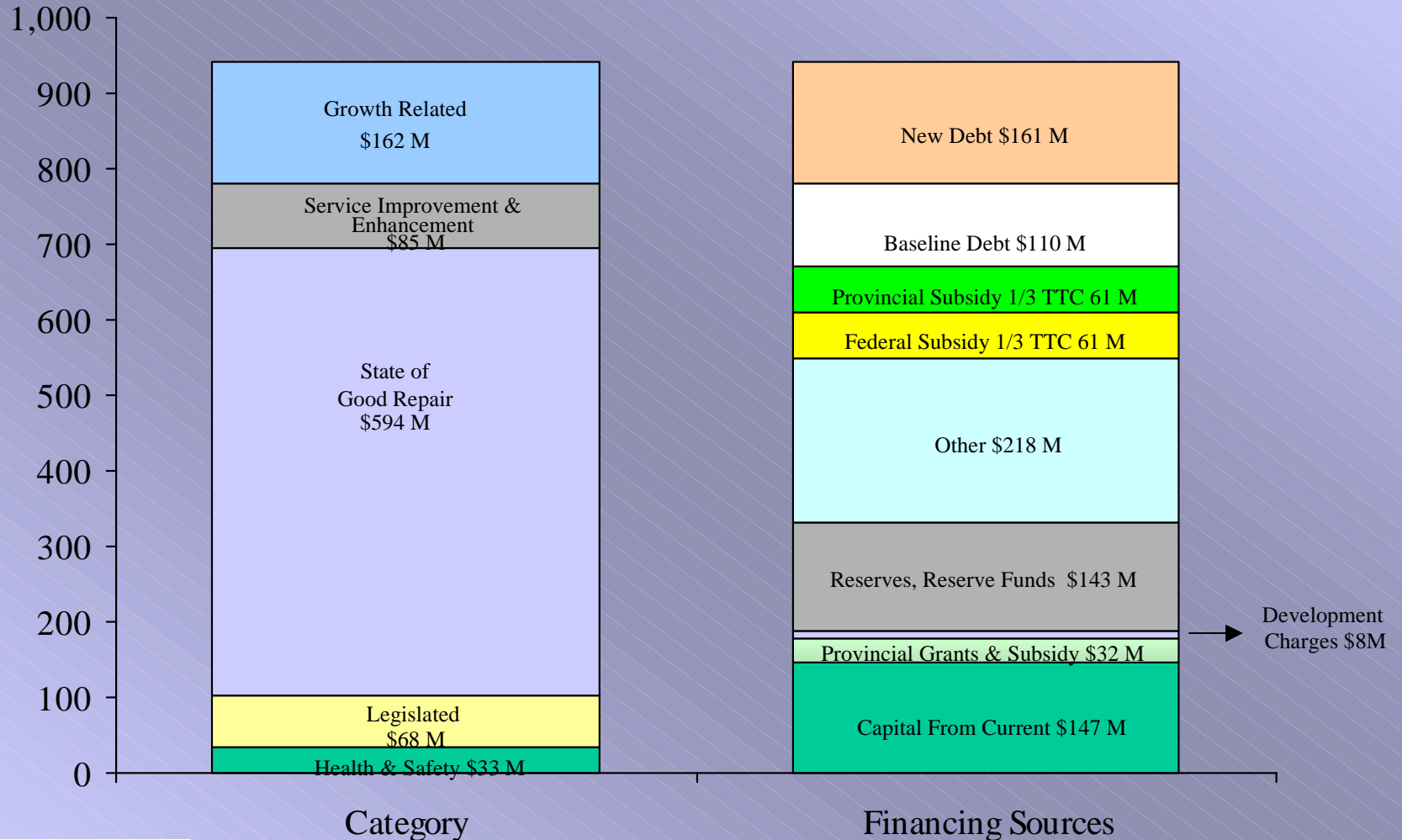
Provincial Pre-2001 TTC Funding



2002 Recommended Capital Budget



2002 Recommended Capital Budget (\$942 Million Cash Flow)



* Some of these funds apply to New Projects

TTC 2002 Capital Budget

Capital Expenditure (\$\$ millions):

TTC Capital	229.437
Sheppard Subway	46.446
Total	275.883

Assumed Financing:

1/3 Funding (City Share)	61.308
Sheppard Subway - City Debt	46.446
2/3 From Other Governments	122.616
Other Sources	45.513
Total	275.883

2002 Recommended Capital Budget Funding Sources (Excl. TTC)

Financing Sources (\$\$ millions)	Program		EMT
	Submission	Affordability	Recommended
Self Financed	205.691	190.761	190.761
Capital From Current	151.850	146.850	146.850
Other Financing - Debt Related	91.454	57.679	57.679
Internal Sources	107.654	107.654	107.654
Debt (No Debt Increase)	110.000	110.000	110.000
Sub-Total	666.649	612.944	612.944
Additional Debt	275.125	50.000	52.762
Total	941.774	662.944	665.706

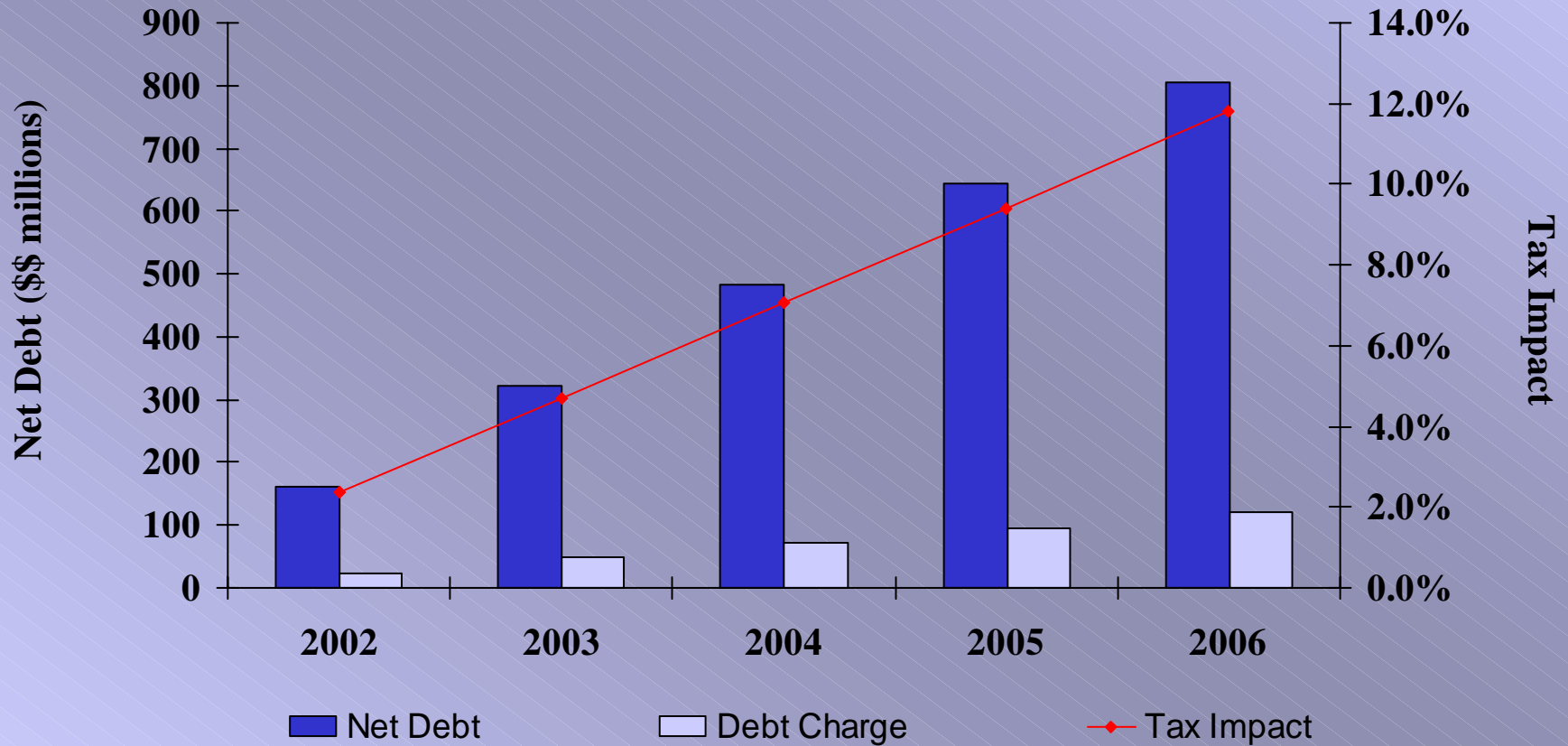
2002 Recommended Capital Budget (Incl. TTC)

Annualized Impact on Operating Budget

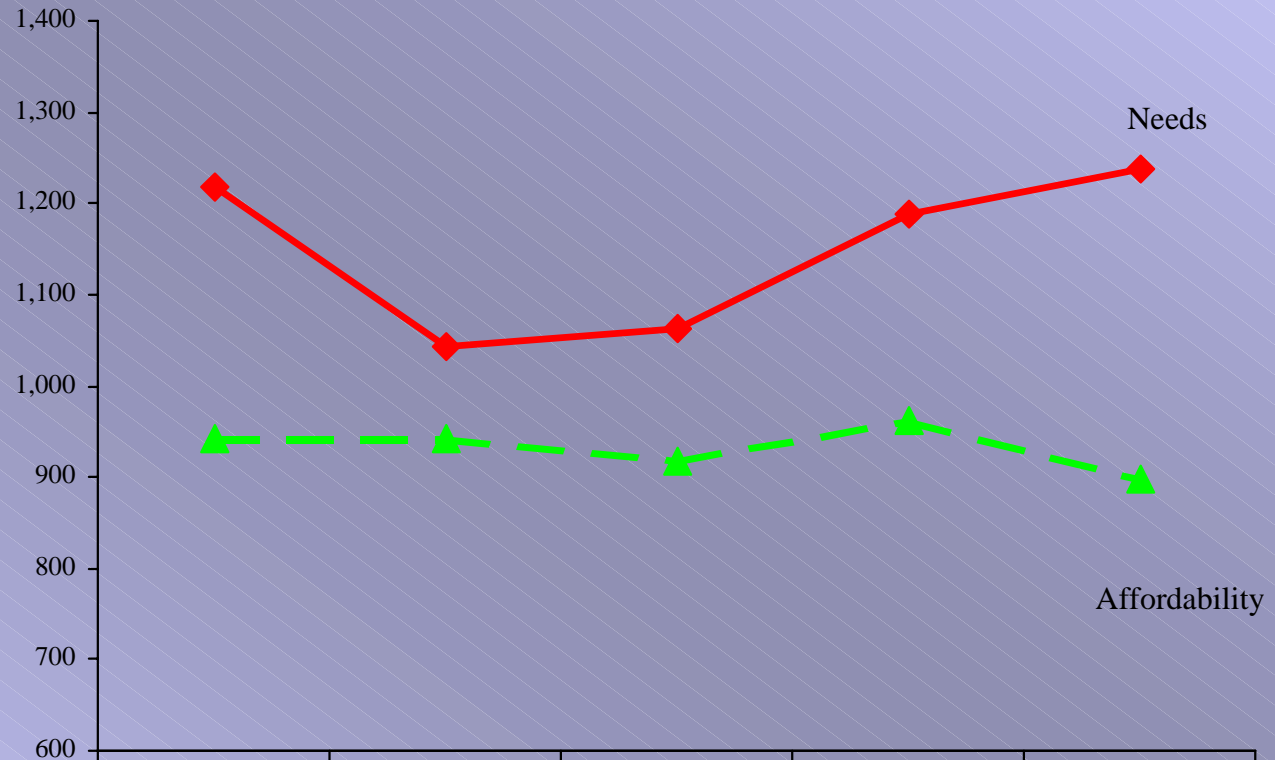
EMT
Recommended

Increased City Debt	53	
Sheppard Subway	47	
TTC - City Share	61	
Total Incremental Debt to be Issued	\$161	Million
Debt Charges Due to Increased Debt	\$24	Million
Impact on Property Tax Bill/Residential	2.2%	
Impact on Property Tax Bill/C&I and Res.	0.9%	

Annual 2002 - 2006 Impact of \$161 M New Issue of Net Debt

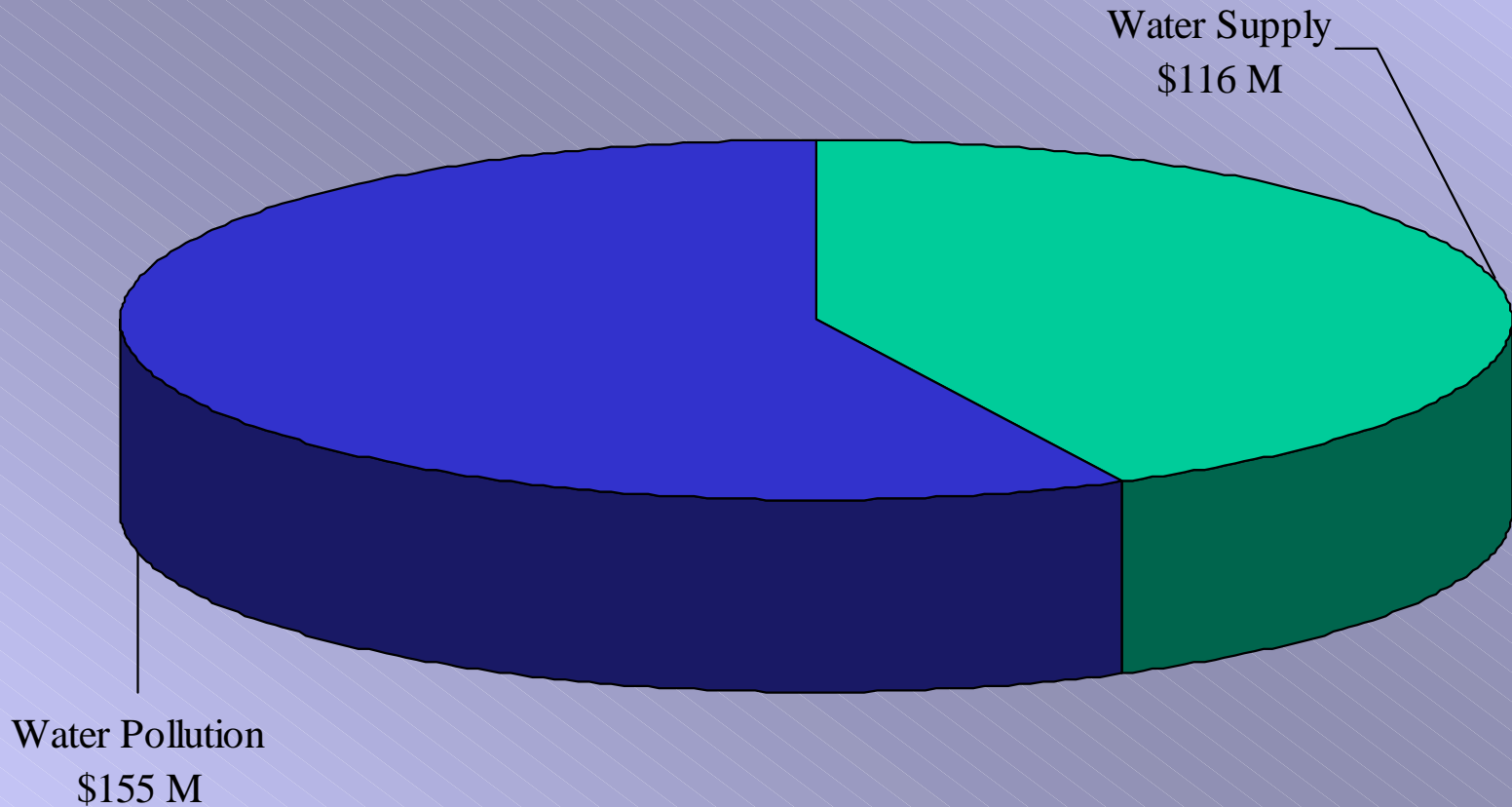


2002 Request vs. 2002 Recommended (Cash Flow \$\$millions)



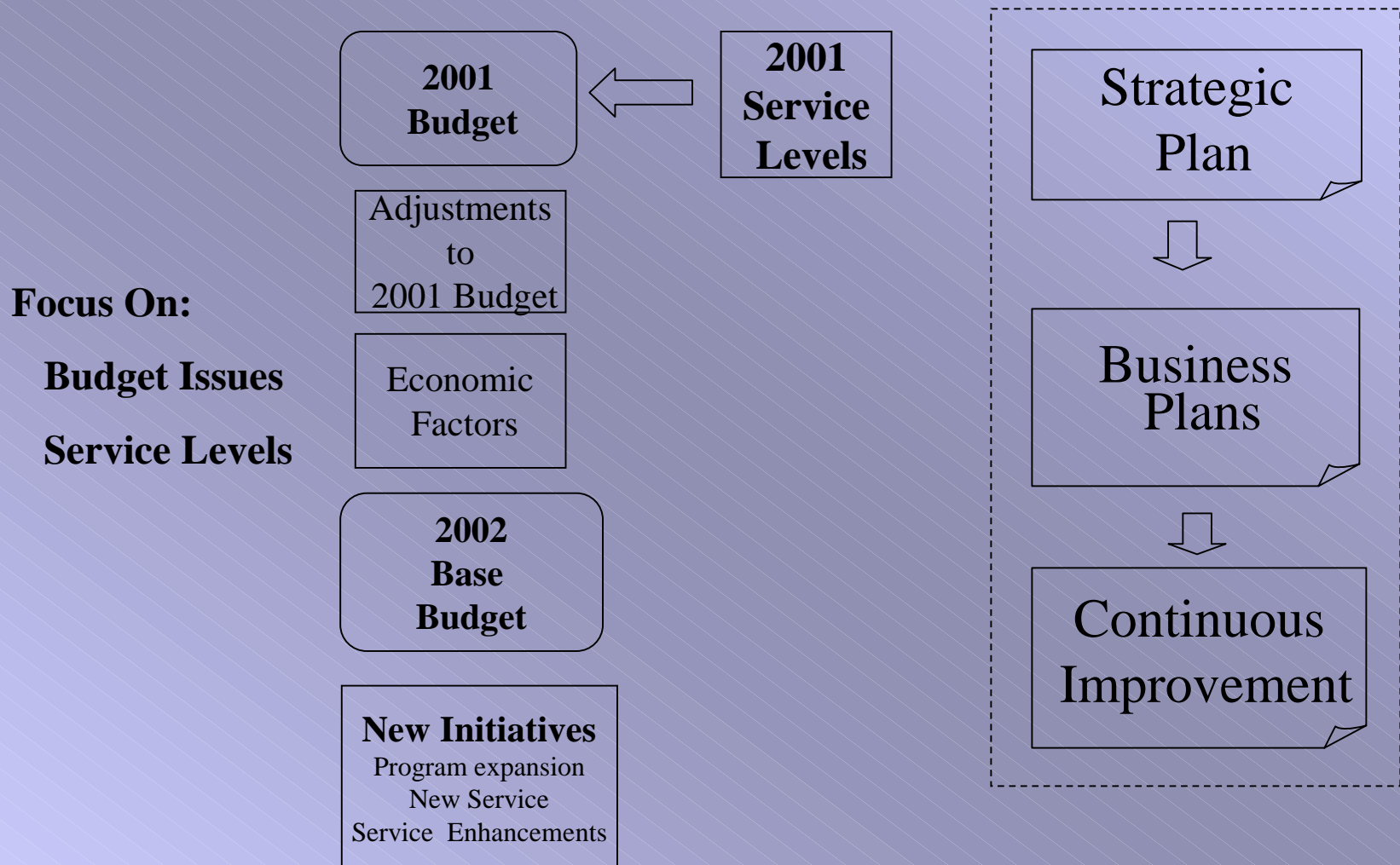
	2002	2003	2004	2005	2006
2002 Request	1,218	1,042	1,063	1,189	1,237
2002 Recommended	942	942	917	963	899

2002 Recommended Water Supply and Water Pollution Capital Budget (Cash Flow \$271 M)



2002 Operating Base Budget

Operating Budget Process Overview



We have added and expanded services 1998 to 2001

- Service Harmonization / Service Enhancement:
 - Winter maintenance - Mechanical Clearing of Windrows
 - Dental Services for low income seniors and children
 - Enhanced community action policing program
 - Blue Box Collection items
 - Added 81 additional front-line police officers
 - TTC service expansion
 - Added 675 permanent hostel beds
 - Food safety disclosure program
 - Healthy Babies / Healthy Children program expansion
 - Pesticide reduction initiatives and other environmental initiatives
 - And others ...

Economic Factors

Expenditure Type	Economic Factor
Hydro	15%
Energy - Water, Fuel	5.2%
Furniture	Zero Based
Machinery & Equipment – excluding Furniture	1.9%
Service/Supplier Contracts	Fixed
Service/Supplier Contracts – 2002 Cost Known	Agreed to 2002 Price
Consultants	Zero Based
Other Expenditures	1.9%

Average Economic Factor = 1.7%

EMT Review Principles

- EMT performed detailed review of increases beyond annualization and economic factors and asked programs to:
 - demonstrate Continuous Improvement savings
 - provide reduction strategies to achieve a *zero* increase
 - categorize reductions by:
 - (i) continuous improvement
 - (ii) minor service level / service standard impact
 - (iii) revenue alternatives
 - (iv) major service level / service standard impact

Operating Budget Overview

\$Millions

Department	2001 Net Budget	2002 Net Budget Request	2002 EMT Recommended	Change from 2001 Budget	
				\$	%
Community & Neighbourhood Services	588.9	615.4	591.3	2.4	0.4%
Works and Emergency Services	543.7	600.6	570.2	26.5	4.9%
Economic Development, Culture and Tourism	178.3	179.7	177.9	(0.4)	(0.2%)
Urban Development Services	14.1	16.3	14.1	0.0	0.0%
Corporate Services	146.9	156.3	148.2	1.3	0.9%
Finance	31.7	32.8	31.8	0.1	0.2%
Other City Departments	26.1	25.6	25.6	(0.5)	(1.8%)
Sub-Total - City Operations	1,529.7	1,626.7	1,559.1	29.4	1.9%
Special Purpose Bodies / ABCs	954.5	1,002.7	977.6	23.1	2.4%
Debt Charges	205.6	243.1	243.1	37.5	18.2%
Non-Program	47.8	15.4	14.7	(33.1)	(69.2%)
Levy Operations	2,737.6	2,887.9	2,794.5	56.9	2.1%
Assessment Growth			(7.9)	(7.9)	
Levy Operations After Assessment Growth	2,737.6	2,887.9	2,786.6	49.0	1.7%

EMT Recommended 2002 Operating Budget

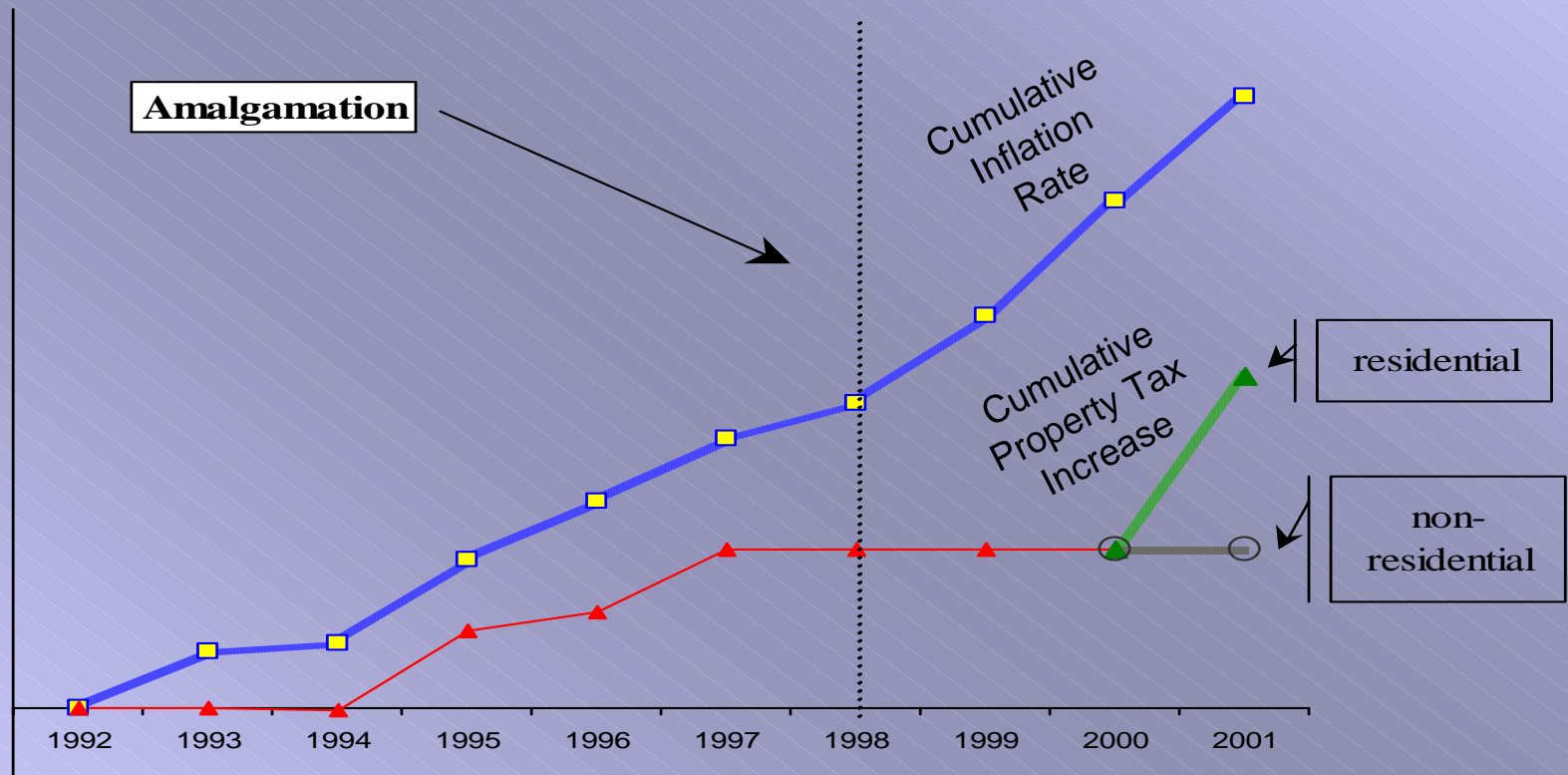
	Operating	New Debt Charges	Total
Increase on Total Tax Base	0.9%	0.8%	1.7%
Impact of Comm., Indust. & Multi-Res. Transfer to Residential as a result of Bill 140	1.7%	1.4%	3.1%
Net Impact of Bill 140 and Increase on Residential ONLY	2.6%	2.2%	4.8%

Comparative Tax Increases

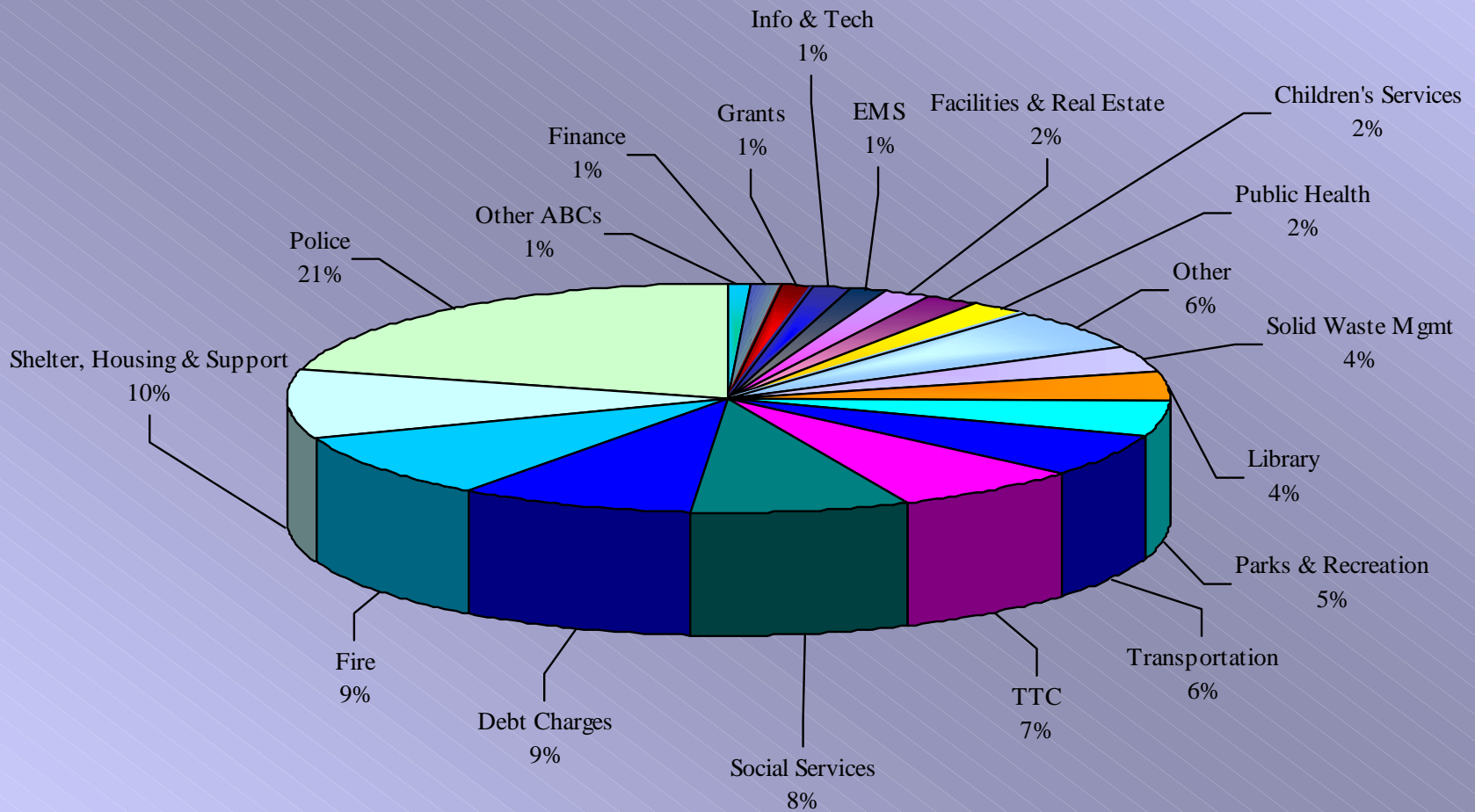
Municipality	2002		
	Budget Increase	Assessment Growth	Projected Residential Tax Increase
Toronto	2.10%	0.29%	4.81%
Peel Region	5.30%	3.63%	1.71%
Halton Region	5.60%	2.50%	3.10%
York Region	6.10%	4.10%	2.30%

City of Toronto Tax Increases Have Been Below Rate of Inflation

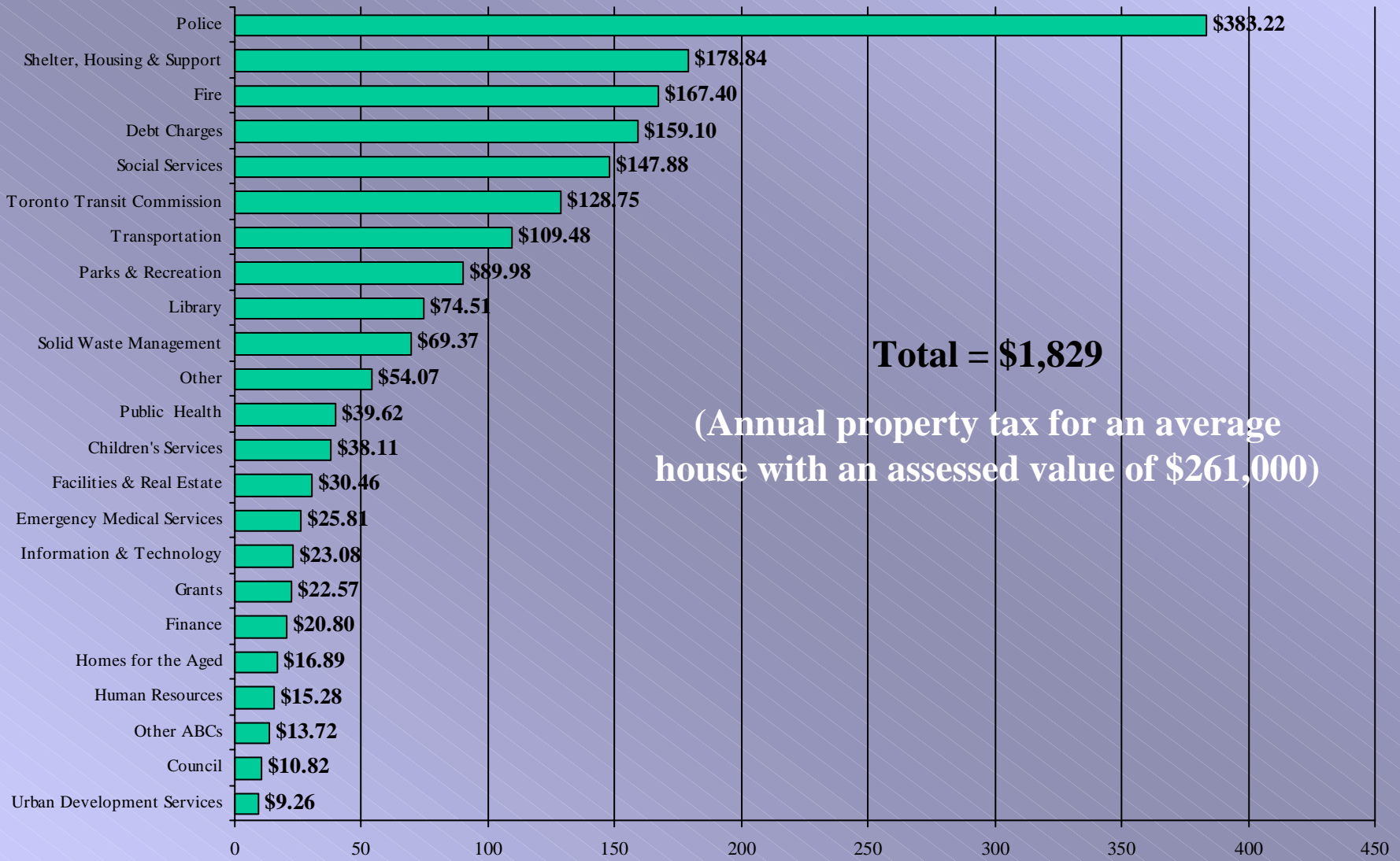
1992 = base year



Where the money goes (Net Expenditures) - \$2.8B



How Your Tax Dollar Works for You



NEW / ENHANCED SERVICES

New and Enhanced Services

- New / Enhanced Service request submitted as separate decision package
- Financial constraints restrict addition of new and enhanced services
- Consideration of new / enhanced services would likely require reduction of existing services or tax increase
- New and Enhanced service request total between \$25 million and \$28 million

Special Initiatives

Special Initiatives

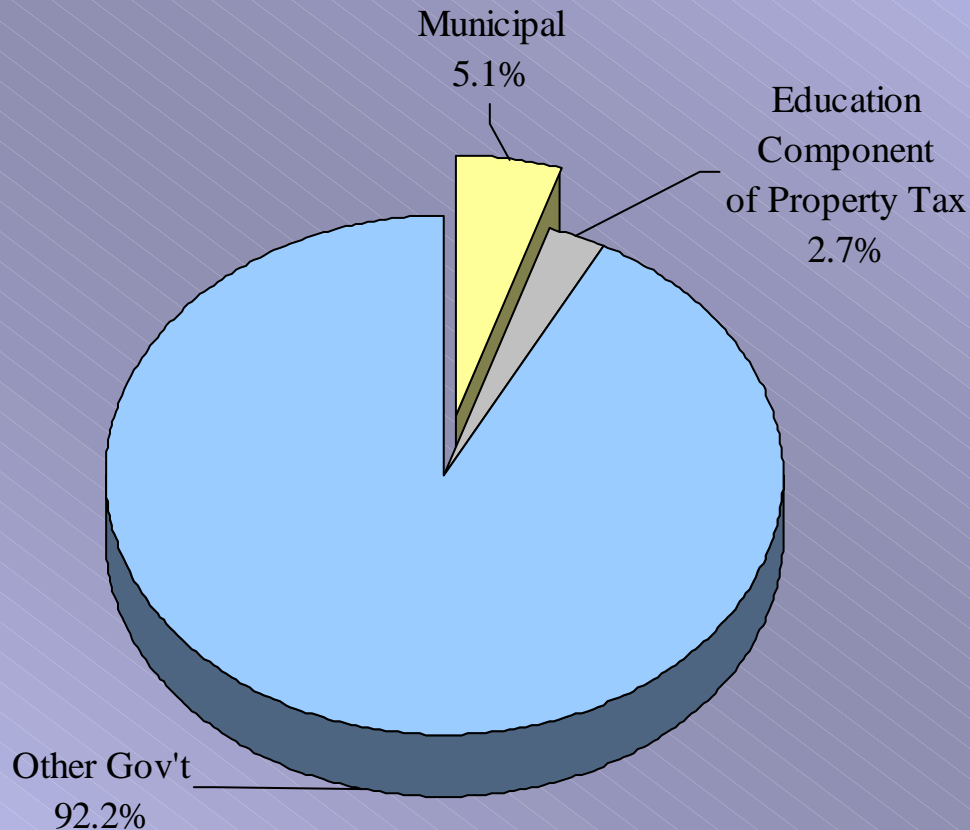
- Not included under Operating or Capital Budget are two Special Initiatives for which appropriate funding sources are being determined:
 - World Youth Day program - Gross expenditures \$16.2 million; City's share is \$7.2 million
 - Need to confirm funding sources for City's share
 - Emergency Planning - estimated 2002 Capital at \$11.0 million and 2002 Operating at \$14.3 million
 - Support from Federal and Provincial Government is needed and critical to this initiative

Financial Sustainability

Financial Sustainability

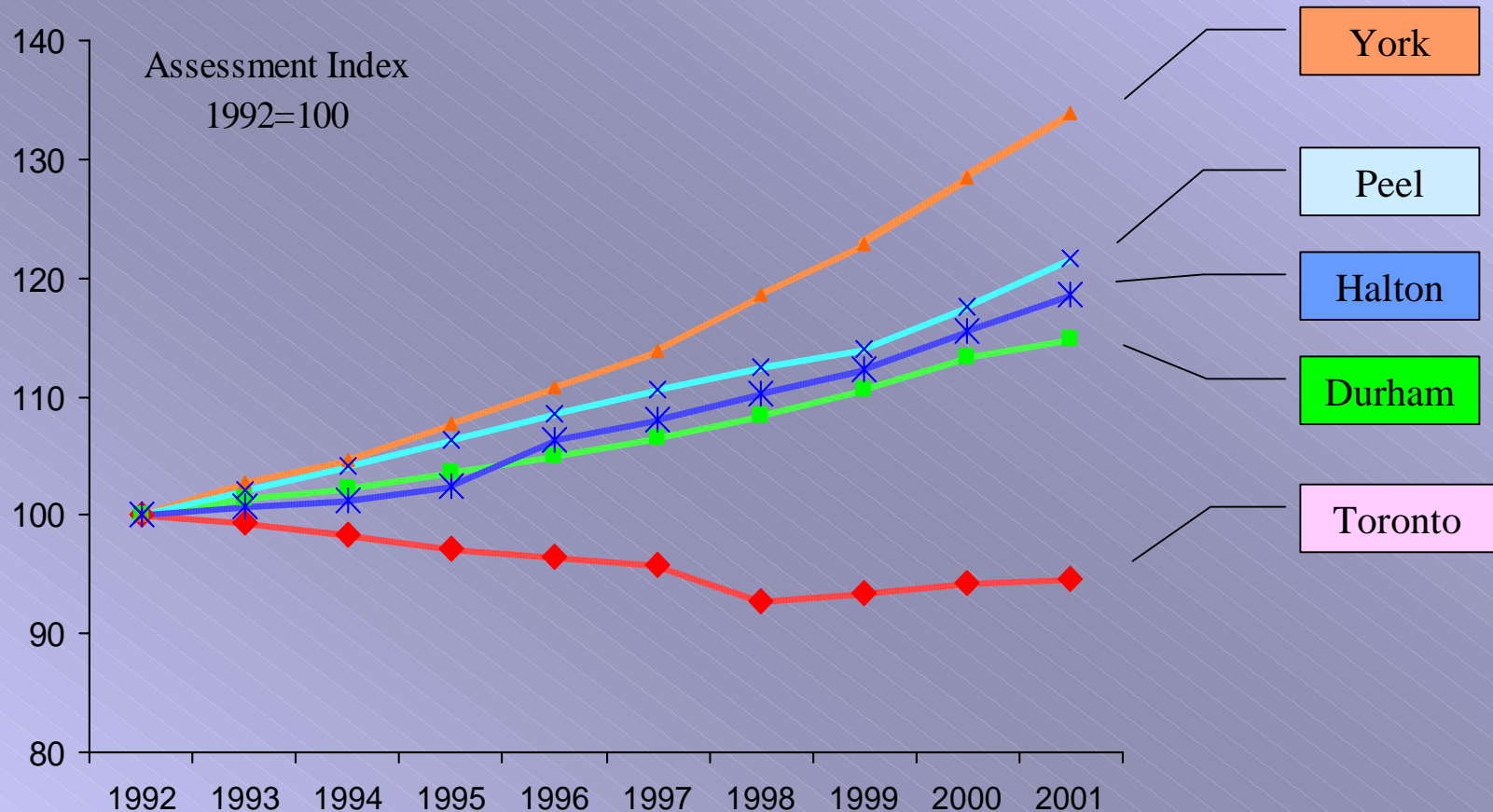
- City's financial stability is challenged ...
 - Economic forecast (?)
 - Bill 140 constraints on total assessment tax base
 - Under-funded reserves
- Need to work with Federal & Provincial governments toward better financial sustainability
- Need additional long-term sustainable, predictable and reliable financial tools

Where Tax Dollars of an Average Ontario Family Go (%)



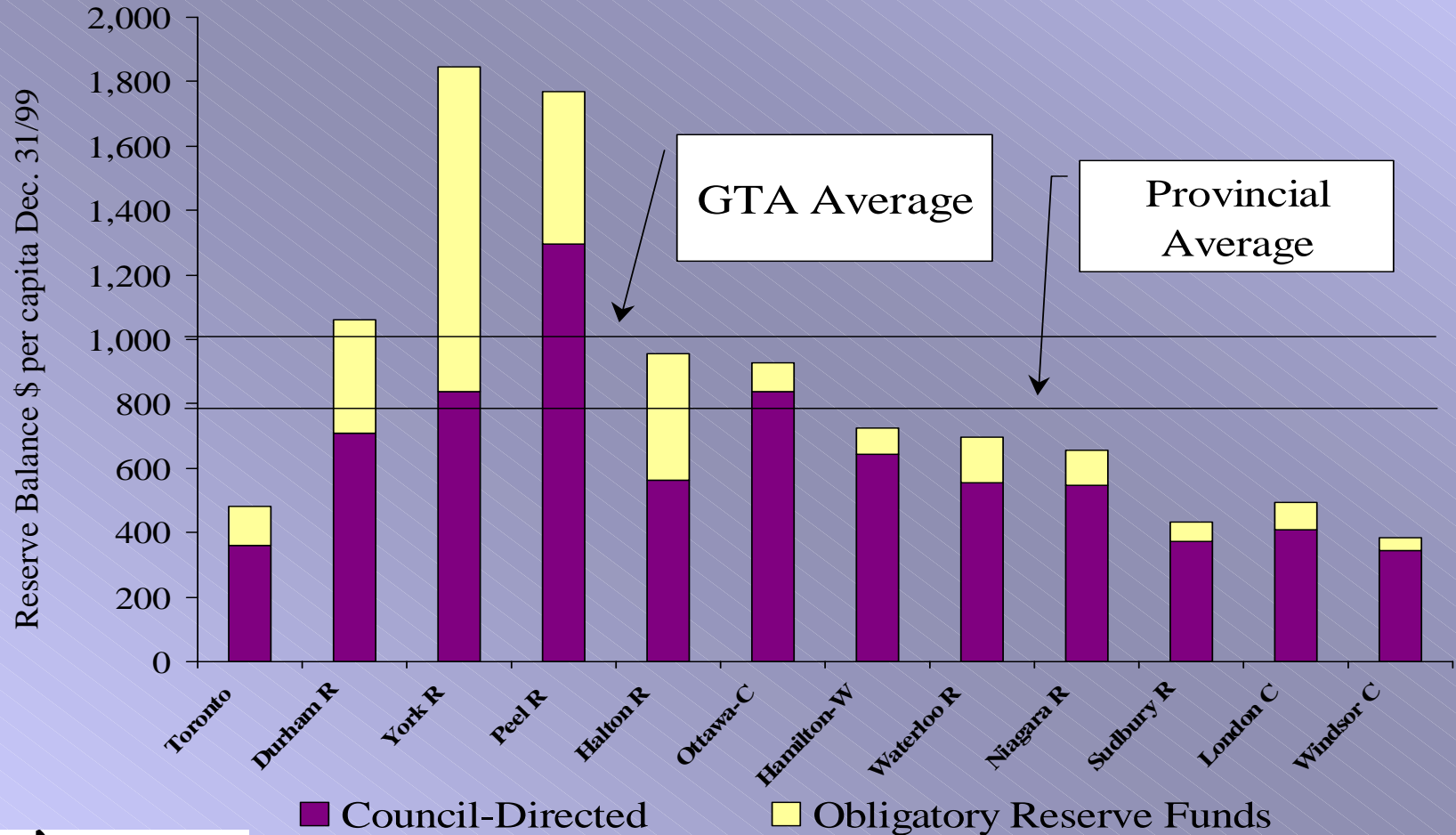
% of Total Taxes

Unlike the 905's Sizable Assessment Growth, Toronto is still behind 1992



Reserve Levels are Lower than Other Municipalities

Toronto's figure excludes one-time temporary reserve fund for TTC capital

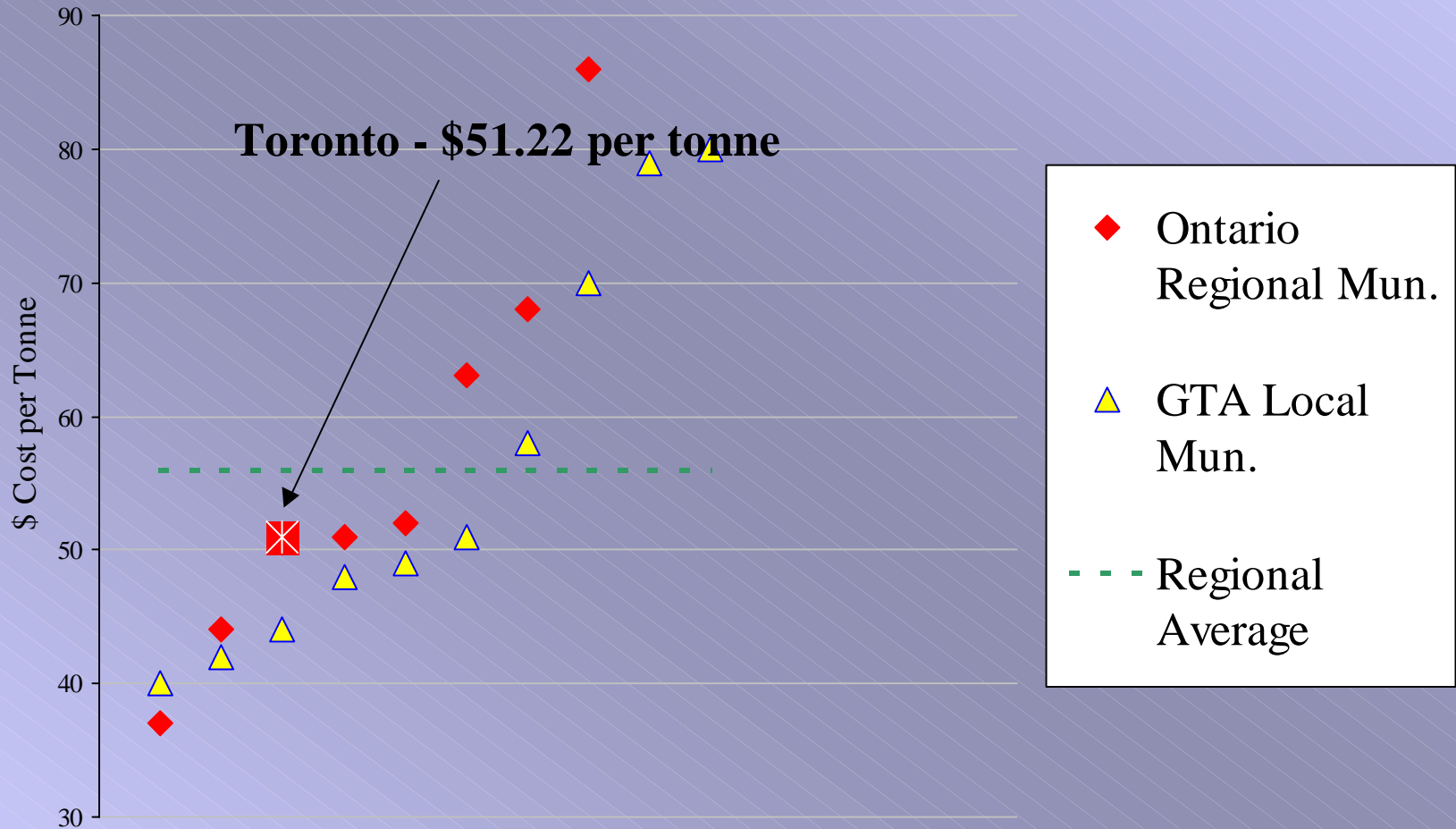


Conclusion

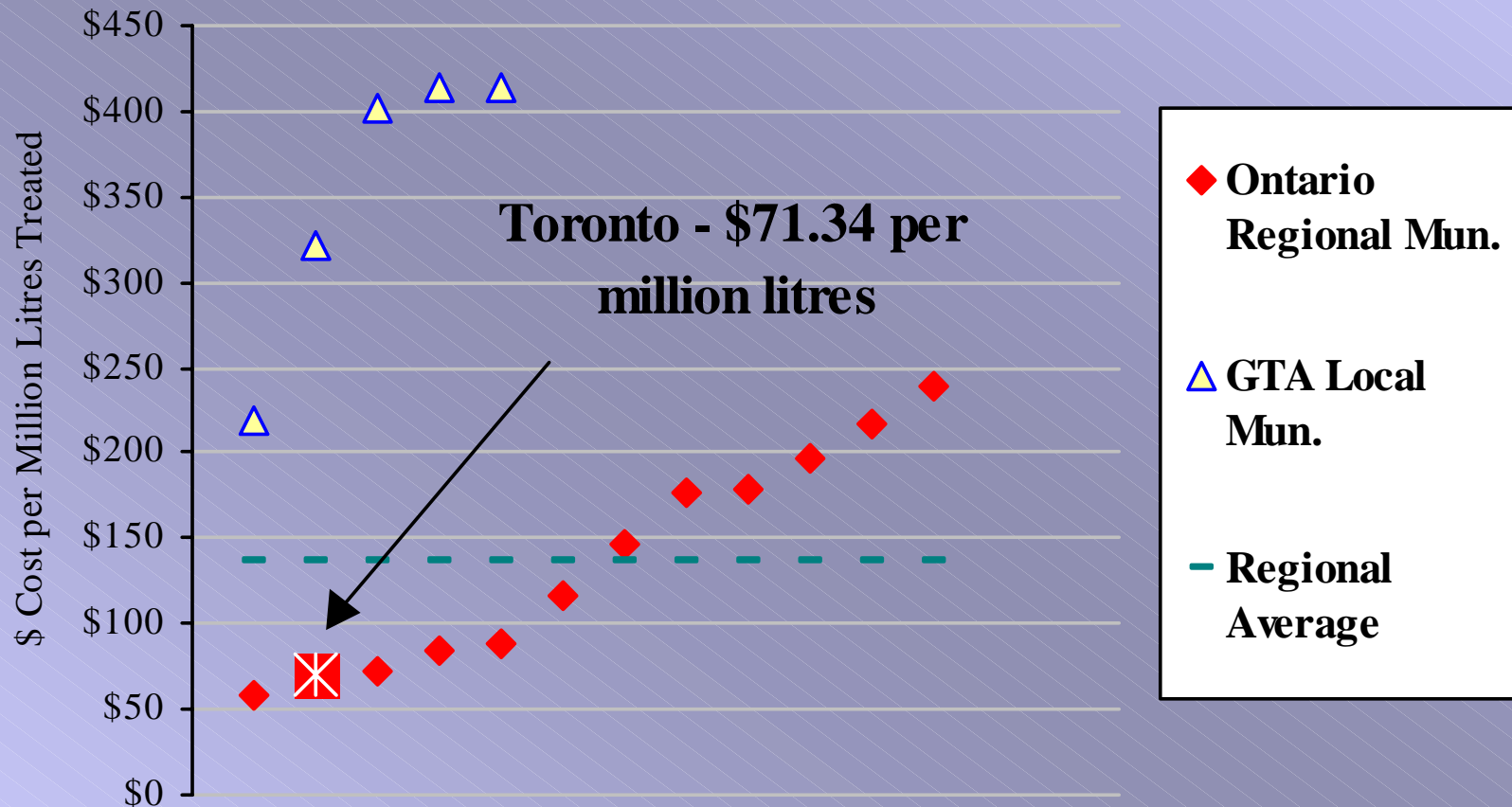
Performance Based Budgeting

- Programs continuously explore service delivery efficiencies
- Performance measures now integral element of budget preparation and review process
- Mandatory Municipal Performance Management Program (MPMP) reveals that Toronto compares favourably with other Ontario Municipalities
- Program reviews with emphasis on Council approved ASD initiative scheduled for 1st half of 2002

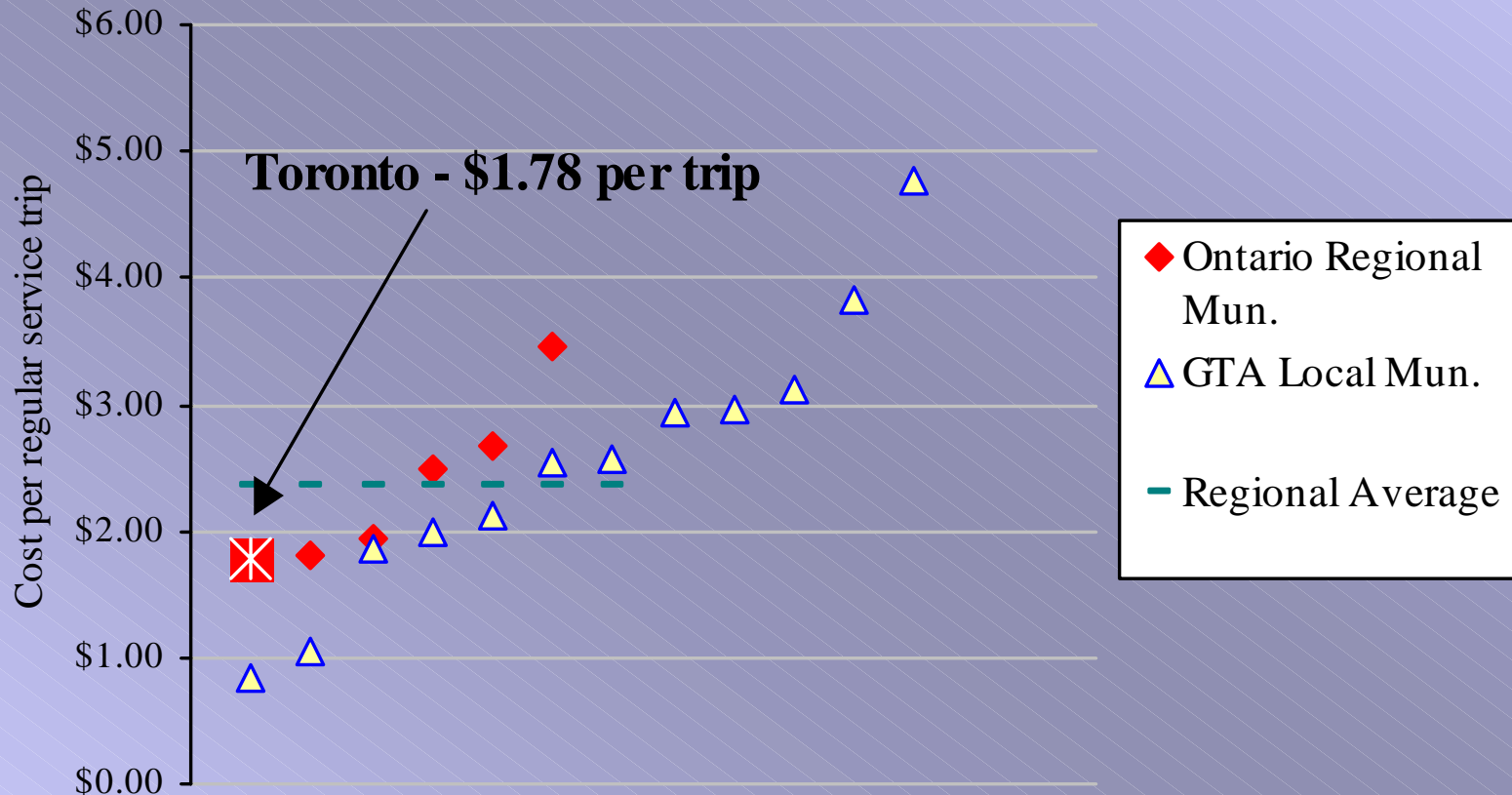
2000 Operating Cost of Solid Waste Collection per Tonne



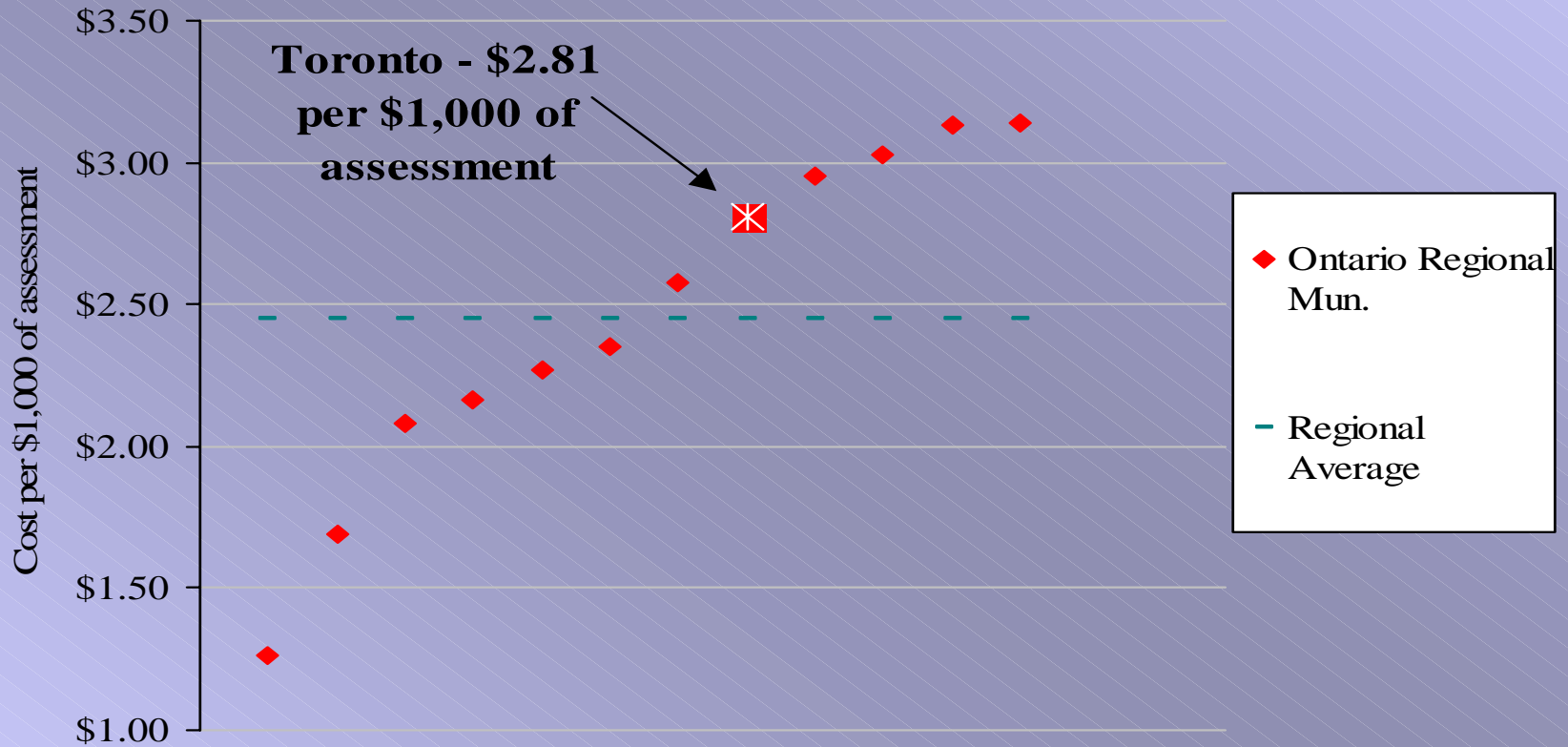
2000 Operating Cost for Water Treatment per Million Litres of Water Treated



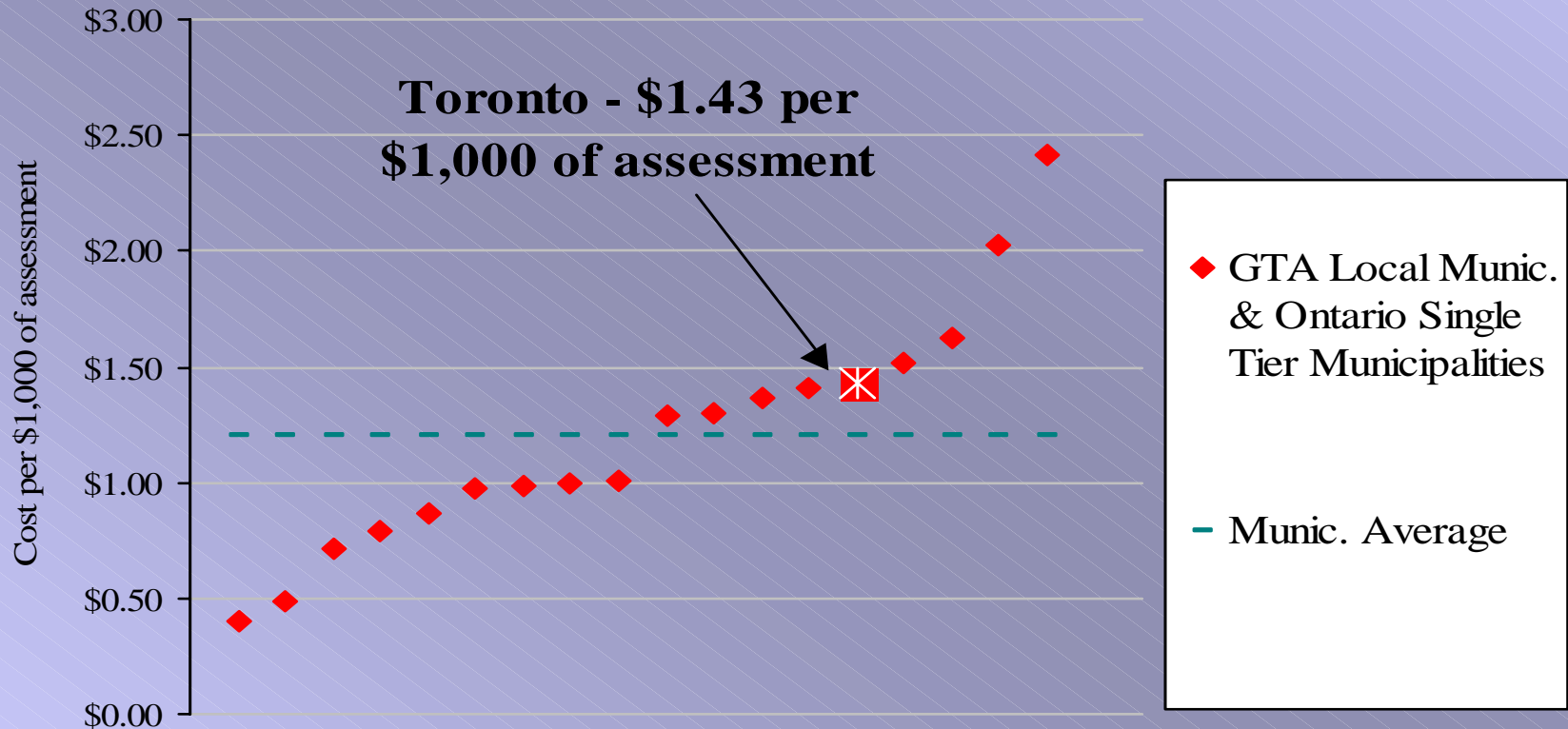
2000 Operating Cost for Conventional Transit per Regular Service Trip



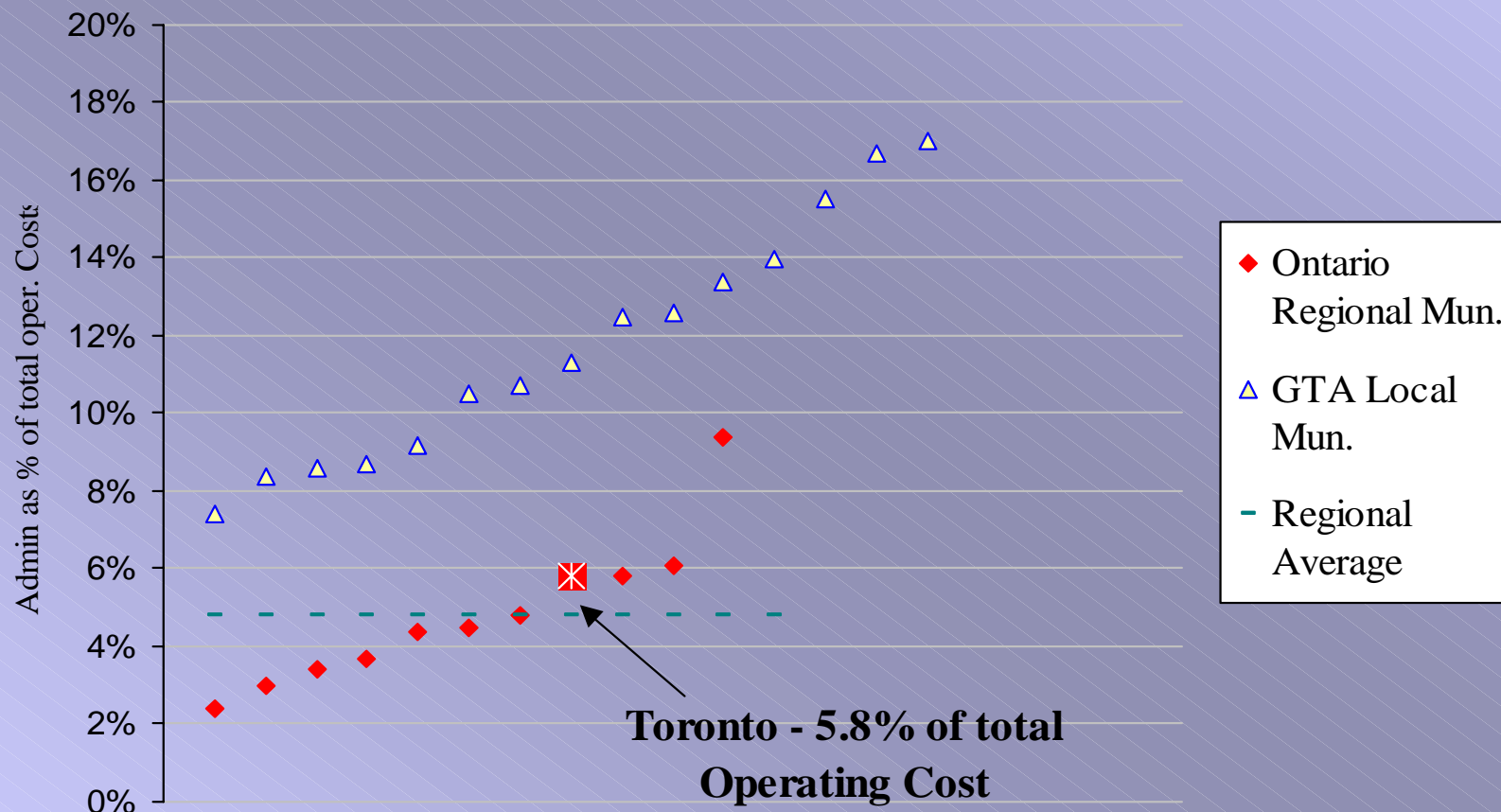
2000 Operating Cost for Police Services per \$1,000 Assessment



2000 Operating Cost for Fire Services per \$1,000 of Assessment



2000 Operating Cost of Municipal Administration as a % of Total Operating Cost



Conclusions

- EMT recommends a budget that maintains 2001 services levels
- 2002 Budget Goal achieved through a new budget process
- Financial Sustainability challenges must be addressed to maintain services in the future
- New sustainable operating budget revenue sources needed to address growth and service expansion
- Necessary to continue discussions with Province and Federal Government on funding support for
 - Transportation Infrastructure
 - Public Transit
 - Social Housing
 - Homelessness

Path to Excellence

- Path to Excellence underlies accountability, continuous change process, restores confidence, emphasizes transparency... installs structure and discipline
 - Protocol - establish a *financial policy and procedures manual*; institute standard *project management* infrastructure
 - Accountability - quarterly report to *Admin Committee*; policy review; report to *Audit committee*; develop interdisciplinary contract management office
 - Transparency - review inventory of *existing contracts*; continue *ongoing reviews* to resolve issues
 - Human Resource Competencies - implement Auditor's recommendations on *DPOs*; review *job descriptions*; providing financial *training for non-financial managers*

Financial Controls / Protocol

- Review Financial Control By-Law
- Improve protocols / guidelines for evaluating financial implications of Staff Reports and Notices of Motion adopted by Council December 1, 2001
- More timely reporting and monitoring
- Policy on In-year budget transfers
- Strengthened expenditure controls
 - funds control
 - close monitoring of expenditures against spending plans

2003 Outlook

- 2003 Outlook indicates financial challenges due to:
 - new debt requirement for capital needs exceed 2002 affordability limit
 - aging infrastructure requires increased spending on capital maintenance / state of good repair
 - incremental debt charges associated with 2002 and 2003 capital budget
 - incremental operating impact of 2002 and 2003 capital program
 - inflationary increase on 2002 budget
 - new and enhanced services to meet population growth
 - OMERS contribution holiday ending
 - assessment growth is very limited
 - continuing Bill 140 constraints
- Capital financing and operating budget strategies must be developed prior to 2003 budget

Schedule / Timetable

- Public launch & overview presentation to P&F / BAC & referral to Std. Committees Jan 8
- BAC review of ABCs Jan 10 - 11
- Standing Committee reviews Jan 14 - 25
- BAC review of Standing Committee recommendations and ABCs Jan 28 Feb 1 - 7
- Final BAC Recommended budget Feb 11
- Joint meeting of P&F and BAC for public deputations Feb 18 & 19 if required
- Final P&F Recommended Feb 21
- Council Approval Mar 4 - 8

DOCUMENTATION SCHEDULE

- Tues, Jan 8 Capital Budget - Program Submission
Capital Budget - Analysts Notes
Capital Budget - EMT Recommendations
Operating Budget - Program Submission
Operating Budget - Base Budget Summary -
Overview
Operating Budget - Summary of Reductions
- Fri, Jan 11 Decision Package:
- Operating Base Budget - Analyst Notes
- Details of EMT Recommendations
- Decision Tracking Documents
- New and Enhanced Services