

CITY OF TORONTO

2007

Budget Summary

Appendix



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APPENDIX

GLOSSARY OF TERMS – OPERATING

ACTIVITY

An activity is an individual function that is identifiable and measurable; supporting the delivery of internal or external services. A grouping of activities comprises a service.

AGENCY

An agency is an organization associated with the City, but operating at arm's-length. An Agency often operates under an independent body of Directors. An agency is referred to in the acronym ABC – Agencies, Boards and Commissions.

APPROVED POSITION

An Approved Position is equivalent to a single permanent position regardless of whether it is full-time or part-time.

APPROVED POSITION YEAR

An Approved Person Year is an equivalent for a temporary, seasonal, casual or trade position that is calculated in one of three ways:

1. A single 35 hour per week position
2. A single 40 hour per week position, or
3. A combination of part-time positions (less than 35 hours per week) equating to 1820 hours per year (35 hours per week x 52 weeks), or 2080 hours per year for positions less than 40 hours per week (40 hours per week by 52 weeks).

BENCHMARKING

An exercise whereby one organization's results are compared to those of another comparable organization providing the same or similar services based on similar methods of accounting for costs.

BUDGET

The financial, operating and management plan for the City that establishes annual appropriations in accordance with the Municipal Act.

BUDGET COMMITTEE

A committee formed by the City Council of appointed Councillors that plays a key role in coordinating the budget process and submitting a final budget to Council for its consideration. The committee also monitors any variances that might occur in the budget throughout the year. The Budget Committee is a sub-committee of the Executive Committee.

CAPITAL BUDGET

A multi-year program adopted by Council comprising of an approved capital program for the current year and a planned program for the succeeding four years. The multi-year plan covers longer term and one-time expenditures for fixed assets that are more than fifty thousand dollars. It also entails the assumption of debt by the Corporation.

CAPITAL FINANCING

Represents the portion of the operating budget required to service the debt assumed by the City from capital expenditures of the current and previous years. Composed of Capital from Current expenditures and debt charges.

CAPITAL FROM CURRENT (CFC)

Funding allocated from the current (operating) budget to support the capital budget program.

CLERICAL/TECHNICAL/PROFESSIONAL POSITION

A clerical/technical/professional position is an Approved Position, which is generally affiliated with Local 79. A clerical/technical/professional position may be either Full-time or Part-time in status.

COMMUNITY IMPACT MEASURE

A measure of the public benefit derived from a service, or the impact on a community of providing the particular service. It is the stated program outcome measure which measures the effect on the community for which the service was provided.

COMPLEMENT

The number of permanent positions plus funding for temporary, seasonal, casual and/or trade positions, all expressed in Approved Positions that are required to provide the approved level of service for a particular program or agency of the City.

COMPLEMENT MANAGEMENT

Complement Management is the administration of the range of positions, people and structures related to the City as an organization in adherence to its established business processes and operational needs.

CUSTOMER SERVICE QUALITY MEASURE

A measure of customer satisfaction with the service that they receive relative to their needs and expectations.

DEBT

The amount of all obligations for the payment of interest and principal due by certain agreements and by-laws as incurred by the City of Toronto such as debentures, promissory notes, leases, letters of credit and other financial commitments and guarantees.

DEBT CHARGES

The principal and interest payments necessary to retire outstanding debt arising from capital expenditures.

EFFICIENCY MEASURES

The ratio between the amount of service or product delivered and the amount of input, either in terms of cost or resource use. Efficiency is often expressed in terms of gross cost or output per unit of service or output per employee.

EFFECTIVENESS/CUSTOMER SERVICE MEASURES

A measure of whether and how well goals and objectives are being achieved in terms of achieving the intended community service objective, delivery of quality service through key result areas such as productivity, timeliness, resource utilization, compliance with standards, and customer satisfaction levels.

EXEMPT PROFESSIONAL & CLERICAL POSITION

Any position which is not affiliated with a union and acts as an individual contributor but does not have direct reports.

EXPENDITURE CATEGORY (COST ELEMENT) GROUP

Expenditure Categories, now called Cost Element Groups in the SAP environment are the high level categories of expenditure and revenue as seen on the budget templates. They are Salaries & Benefits, Materials & Supplies, Equipment, Services and Rents, Contributions and Transfers, Interdepartmental Charges and Other on the Expenditure side. On the Revenue side they are Grants from Others, Interdepartmental recoveries, User Fees and Other.

FISCAL YEAR

The period for which budgets are prepared and financial records are maintained. The fiscal year for the City is the calendar year (January 1st to December 31st).

FULL TIME POSITION

A full time position is a position approved as part of the organizational structure for a particular service or program working 35 or 40 hours per week for the full year.

GAPPING

Gapping represents the amount of potential reduction in the requirement for salary dollars as a result of (a) vacancies not intended to be filled for a full or part year (known gapping) and (b) unplanned or unanticipated turnover (unknown gapping).

GOALS

Goals specify where the organization desires to be in the future within the scope of the stated key business service as it relates to the program's mission. Goals provide a framework for the identification of specific, well-defined objectives to be accomplished within specific time frames. Goals are to be pursued over time. The goals that a program develops should be in support of the key business services and help establish the program's direction. These goals provide a unifying theme for activities. Each goal should have at least one objective.

HEAD COUNT

The total number of staff individuals employed by a unit at a particular time, regardless of the nature of their employment: full-time, part-time, seasonal or casual/trades. Currently, the City is using the terminology 'Approved Position'.

HOURLY/OPERATIONS

A position which is either paid on an hourly basis or works directly in operations (maintenance, waste collection, etc.). These positions are often associated with Local 416.

KEY BUSINESS SERVICES

These are the fundamental services critical to the program's mandate and success. Performance of these services in an exemplary manner will result in the program achieving its mission.

KEY CUSTOMERS

Key Customers are the direct beneficiaries of the service or product provided by a particular program or agency. Key customers may be clients or customer groups, either inside or outside the City, including members of the public or other external entities.

OBJECTIVES

Objectives are linked directly to program goals and are specified, quantified, time-based statements of accomplishments or outcomes which should clearly state the specific results the program seeks to accomplish. The development of objectives aids decision making and accountability by focusing on issues and the accomplishment of outcomes and sets the direction for strategies. A program may have multiple objectives under a single goal. The target indicated for each objective should focus on 2006 budgeted results. Example of an objective – develop and implement a cross-shelter case management plan for homeless clients that tracks their visits to all Toronto shelters in a given year by end of fiscal 2007.

OPERATING BUDGET

The financial, operating and management plan for the City that establishes annual appropriations in accordance with the Municipal Act for a short term, (e.g. a fiscal year).

OPERATING IMPACT OF CAPITAL

The Operating Budget impact of Capital projects is the changes in operating expenditure and/or revenue, which is projected to occur during the course of a Capital Project and/or when a Capital project is completed. These changes should be documented on a Business Case Form in the appropriate category.

OTHER REVENUE

Represents all revenues other than property tax levy, provincial grants, interdepartmental recoveries and prior year's surplus. Other Revenue is made up of user fees, fines, interest earnings, and revenues from other governments excluding the Province, and revenues from any other source.

OUTLOOK

The Outlook is the anticipated financial plan for the following fiscal year, based on Council approved decisions.

OUTPUT MEASURE

These measure the number of units of a service or product produced. An example is the tons of curbside waste recycled or cubic metres of water pumped at Pumping Station X.

PART TIME POSITION

A part time position is a position approved as part of the organizational structure for a particular service or program working less than 35/40 hours per week.

PERFORMANCE MEASURES

Performance measures seek to express, usually in quantifiable terms, how well a program is discharging its responsibilities. These measures may be applied to the service as a whole, or to the activities involved.

PROGRAM

A division of a cluster or an Agency, Board or Commission, which constitutes a service delivery unit and may encompass one or more related municipal services (e.g. the Solid Waste Management program includes a number of services and is a division of Citizen Focused Services 'B') and satisfies the following:

- aimed at one or more target groups (e.g. households);
- has program goals defined in social terms with outcomes of public good (e.g. public health); and
- is either mission-driven, (e.g. recreation, or mandate-driven, law-enforcement).

PROGRAM MAP

A program map provides a visual summary of how the various functional levels – program > service > activity – of program operations are categorized and relate to each other.

PROJECTED ACTUALS

Refers to the expected, or anticipated, outcome of the year's expenditure and revenue activities. A recommended approach for departments is to combine year to date actuals at a specific date, plus the balance of the calendarized Council-approved current fiscal year budget. Departments can adjust and update the projected actuals as they see fit. The Projected Actuals are often compared with the current year budget to determine variances.

RESERVE/RESERVE FUNDS

Reserves and reserve funds have designated purposes and are created through the specific authorizations of Council. All earnings from the investment of reserve funds must form part of the reserve fund, whereas the earnings from reserves flow to the operating budget. The assets of reserve funds are segregated and restricted to the purpose of the reserve funds.

REVENUE

Income received by an organization for the fiscal year. In the City of Toronto revenue includes tax payments, service (user) fees, transfers from other governments, fines, interest income, etc.

SERVICE

A series of activities that deliver the things your customer is expecting, or fulfills the requirements of other stakeholders. The Service level has, since amalgamation, been the approval level for the City's program budgets. When defining and quantifying cost per unit measures for services, programs should give consideration to more meaningful interpretations of service—for example, in the Transportation Program, the cost per unit of winter maintenance is more informative than cost per unit of Roadway Services.

SERVICE LEVEL INDICATORS

Service Level Indicators express the level and the standard of service provided to key customers or customer groups. Service level indicators may reflect an agreed standard of service (e.g. processing time), a quantitative level of resources or the frequency of service provided (e.g. hectares of parkland per capita), or the supply of service as a percentage of need (e.g. number of subsidized day care spaces provided as a percentage of the number of children in low income families).

STRENGTH

The number of actual filled staff positions at a specific point in time, whether permanent, seasonal or casual expressed as approved position years.

STUDENT/RECREATION WORKER

A student or recreation worker is one who is employed on a temporary, seasonal or casual basis.

TAX RATE

A rate used to determine the amount of property tax payable. Taxes on individual properties are calculated by multiplying a property's current value assessment (CVA) by the applicable tax rate.

TOTAL GROSS EXPENDITURES

Includes all expenditures properly incurred by the program area and charged to the program area's budget.

TOTAL REVENUES

Includes all program-generated revenues (e.g. User Fees), subsidies and grants, internal recoveries and internal financing (e.g. funding from reserves).

UNITS OF SERVICE

Reflects the measurable components of each service deliverable, which illustrates how much service is being provided. These can be identified both in terms of costs and volumes.

USER FEES

Includes all program-generated fee and rental revenue for the use of its services (such as the TTC fare, ice rental fees and various city permits).

VARIANCES

Programs/agencies are expected to clearly detail all assumptions with respect to year-over-year changes, which are greater than \$250,000 or 5 per cent of total gross expenditures. Rationale provided should be based on changes in service levels, objectives or funding requirements.

The requirement for all expenditures to be fully justified each year without reference to the prior year budget level. All office furniture and consultants are zero based and must be fully supported and justified by an operating budget case and supporting detailed listing.

GLOSSARY OF TERMS – CAPITAL

CASH FLOW CARRY FORWARDS

The projected year-end unspent amount of Council approved previous year cash flow that is necessary to carry forward, in full or part, to complete the capital sub-project/project in the subsequent budget year. Refer to Capital Budget Policy FS-FP-003 in the Capital Policy Section of this manual for details.

CAPITAL FROM CURRENT (CFC)

Funds allocated from the current Operating Budget for the funding of capital projects in the Capital Budget.

CAPITAL PROGRAM

A multi-year plan adopted by Council for long term capital investments in assets and entails the financing of such long term expenditures with capital assessment and assumption of appropriate funding sources. This program lets Council determine long term expenditure priorities, and enables the City to plan long term debt requirements. The capital program should be linked to individual Program Business Plan.

CAPITAL PROJECT

Expenditure for major rehabilitation, replacement and/or expansion of existing assets and infrastructure, and acquisition or creation of new assets. A capital project is a one-time activity with a well-defined set of desired outcomes or end results. It must bring benefit to the organization for one year or longer, the decision usually cannot be changed, and investments are over \$50K. A capital project can be divided into capital sub-projects or sub-tasks that must be performed in order to achieve the desired result. Capital Projects are classified according to the following five categories listed in the order of importance – Health and Safety, Legislated/City Policy, State of Good Repair, Service Improvement and Enhancement, and Growth Related.

CAPITAL SUB-PROJECT

Subset or logical components/stages of a major capital project. Individual sub-projects could vary depending on the nature of the project. Examples:

- A Park Improvement project could have sub-projects showing individual parks at which the improvement work will be undertaken.
- Main Treatment Plant Upgrade project could have sub-projects showing different stages of the treatment plant process being upgraded such as Primary Treatment, Secondary Treatment, etc.

COMMITMENTS

The following 2 examples illustrate the definition of a capital budget commitment: (i) any capital project approved by Council in the current year which results in current and/or future year cash flow requirements needed to complete the project; (ii) cash flow carry forward estimates that are based on known liabilities, with a liability defined as an obligation for goods or services received and may be recorded as an accrual at year-end.

DEBT FINANCING

The amount of capital project gross cost that is to be financed with long-term debentures. This is the net amount determined after all other financing sources including GST refunds are considered.

ENCUMBRANCE

Upon approval of projects/sub-projects, programs can begin the RFP process to determine the vendor that will provide goods/services required. Once the vendor's bid is approved, it becomes a legally binding contract hence the value of the bid is an encumbrance and considered spent.

ESTIMATED USEFUL LIFE

This is an estimation of the time period, usually expressed in years, that the capital asset (project) brings benefit to the organization or a community. This may apply to new sub-project/projects or an addition, alteration or improvement of an existing capital asset.

EXTERNAL FINANCING

Financing from sources external to the City of Toronto (such as provincial or federal subsidy, Corporate Sponsorships, etc.). In addition it includes debt financing as well (see Debt Financing definition).

FUTURE YEAR COMMITMENTS

Future year commitments represent the cash flow required beyond the current year of the Approved Capital Budget. Council approves the current year Budget or spending authority; commits to future year cash flow required to complete the project and authorizes the project cost (sum of current funding approval plus future year(s) commitment).

GROWTH RELATED

A capital project is categorized as growth related if it supports growth and development across the City. Potential development charge revenues could apply to, and be identified for these projects.

HEALTH AND SAFETY

A capital project is categorized as health and safety if there is an urgent requirement for repairs due to demonstrated concerns for a health and safety hazard.

INTERNAL FINANCING

Financing from sources internal to the division or program submitting a capital project including reserve funds, development charges, and other program generated revenues.

LEGISLATED OR CITY POLICY

Capital Expenditures required by provincial or federal legislation or compliance with City Policy (i.e., environmental initiatives). In the capital project justification section of each business case, the specific legislative or City Council reference will be provided as well as the action required to meet the requirements and timeframe.

PRIORITY

A priority shows how important a project is to the program in achieving the program's objectives for the planning period. Prioritization may differ from ranking such that any two projects cannot have the same priority preference number though they may have an equal ranking. Priority shows which projects the program would prefer over the others if not all projects were allowed for approval. Priorities also show the areas of focus and the strategic direction in which the program is heading. Prioritization should be consistent with the mission and goals of the program and any deficient areas that need to be addressed during the budget period. Priority numbers should only consist of integers other than zero. Assignments like 0, 1A, 1B, 1.5, 1.75 are not valid priority numbers.

RANKING

Ranking is an evaluation of a project based on certain criteria. This year it also incorporates and quantifies five Capital Project Categories, (i.e., Health and Safety, Legislated/City Policy, State of Good Repair, Service Improvement and Enhancement and Growth Related).

Each criteria must be assigned a weight from the given range/points. The system would then automatically calculate the overall weight of the project. Care should be taken while inputting weight's as there is a lot of subjectivity involved.

Every weight entered or point assigned must be backed by sound reasoning and where possible, supported by working papers. Additionally, a sensitivity analysis could be performed in order to identify the extra efforts/resources that would be required in order to make the project a higher ranked one without ignoring the relevant economic and social costs associated with the increased ranking. (This will be helpful in case an audit is performed to investigate the basis used to rank a particular project at any point of time. This kind of detailed approach would also be immensely helpful in situations where there is a change in the nature/scope of the project or if the project is being affected in any way by other projects going on along side. Ranking based on logical reasoning and solid groundwork helps establish standards for future project appraisals. It is possible that more than one project have the same ranking though they may/may not differ in their individual criteria ratings.)

REPLACEMENT COST

Is the cost of replacing the original asset on the basis of current prices (cost). It is not related to the original asset cost.

SERVICE IMPROVEMENT AND ENHANCEMENT

A capital project is categorized as service improvement and enhancement if it improves service delivery above the current Council-approved standard or provides for the introduction of new services.

STATE OF GOOD REPAIR

A capital project that allows for the maintenance, repair or replacement of existing assets. This includes asset rehabilitation that extends the useful life of the asset by 10 or more years before replacement is necessary. Asset replacement should be considered, if rehabilitation is not feasible and delayed replacement could result in potential safety hazards. Asset rehabilitation required to meet health and safety issues should be categorized as "Health and Safety".

STATUS

The sub-projects/projects are classified into six types:

1. Prior Year – (No 2007 and/or Future Year Cost/Cash flow)
This pertains to a sub-project/project that was previously approved, is completed, and has no cost/cash flow requested for the year 2008 and/or future years.
2. Prior Year – (With 2007 and/or Future Year Cash flow)
This pertains to a sub-project/project that was previously approved and has a year 2007 and/or future year cash flow but no 2007 and/or future year cost.
3. Prior Year – Change of Scope (2007 and/or Future Year Cost/Cash flow)
This pertains to a sub-project/project that was previously approved, but there are changes in cost or the nature of the project requested in the year 2007 and/or future year commitments. Project must be revisited if there is a change in scope. Budget only the incremental change.
4. New – Stand-alone Project (Current Year Only)
This pertains to a new sub-project/project, which is discrete/stand-alone, in the year 2008.
5. New – On-going or Phased Project
This pertains to a new sub-project/project that is on-going in nature or has distinct phases. Approval in 2004 does not necessarily result in a future year commitment, but must be reassessed each year relative to current priorities and/or service standards.
6. New – Future Year (Commencing in 2009 & Beyond)
This pertains to any new (future year) sub-project/project planned beyond the current year time frame.

QUESTION AND ANSWER REFERENCE GUIDE

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