

# Analyst Briefing Notes

## Budget Committee

(March 26, 2007)

**2007 OPERATING BUDGET**

Executive Summary .....	2
Recommendations .....	4
<b>Section A: 2006 Budget Variance Analysis</b> .....	5
2006 Experience .....	5
Impact of 2006 Operating Variance on 2007 Recommended Budget .....	5
<b>Section B: 2007 Operating Budget Overview</b> .....	6
3-Year Operating Budget Overview .....	6
Service Delivery - Challenges and Issues .....	6
Mayor's Mandate .....	N/A
<b>Section C: 2007 Recommended Base Budget</b> .....	7
2007 Recommended Base Budget .....	7
2007 Key Cost Drivers .....	7
<b>Section D: 2007 Recommended Service Priorities</b> .....	N/A
Summary of 2007 New / Enhanced Service Priorities .....	N/A
Issues for discussion .....	N/A
2007 Operating Budget Issues .....	N/A
Issues Referred to 2007 Operating Budget Process .....	N/A
<b>Appendices:</b>	
Appendix 1: Summary of Recommended Base Budget Changes from 2006 Approved Budget ...	8
Appendix 2: Summary of Service Level Adjustments .....	N/A
Appendix 3: Summary of 2007 Recommended New/Enhanced Service Priorities .....	N/A
Appendix 4: Inflows/Outflows to/from Reserves and Reserve Funds .....	9

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## 2007 OPERATING BUDGET

### Executive Summary

- The City Manager's Office preliminary year-end variance of \$2.163 million is 5.9% under the 2006 Approved Budget of \$36.972 million. The under-spending was primarily due to lower actual salary costs due to hiring delays and vacant positions remaining unfilled at year-end pending a divisional reorganization of Human Resources and for meeting the gapping target.
  - On-going savings of \$1.418 million resulting from the Human Resources Division's reorganization million are included in the 2007 Recommended Operating Budget.
- The 3-year Operating Budget provides funding for the City Manager's Office to lead the City's administrative team and to set the overall broad direction and strategy for the City.
- The 2007 Recommended Operating Budget of \$37.137 million net is \$0.165 million or 0.4% over the 2006 Approved Budget.

**Table 1: 2007 Recommended Budget**

	2006		2007 Recommended Operating Budget			Change - 2007 Recommended from 2006 Approved Budget		FY Incremental Outlook	
	2006 Appvd. Budget	2006 Projected Actual	2007 Base	2007 New /Enhanced	2007 Operating Budget			2008	2009
	\$	\$	\$	\$	\$	\$	%	\$	\$
(In \$000s)									
<b>GROSS EXP.</b>	39,518.5	37,094.1	39,591.2	0.0	39,591.2	72.7	0.2	2,160.0	518.1
<b>REVENUE</b>	2,546.3	2,285.1	2,453.8	0.0	2,453.8	(92.5)	(3.6)		
<b>NET EXP.</b>	36,972.2	34,809.0	37,137.4	0.0	37,137.4	165.2	0.4	2,160.0	518.1
<b>Approved Positions</b>	396.0	367.0	396.0	0.0	396.0	0.0	0.0		
<b>TARGET</b>			<b>36,972.2</b>		<b>36,972.2</b>				
<b>\$ Over / (Under) Program Target</b>			<b>165.2</b>		<b>165.2</b>				
<b>% Over / (Under) Program Target</b>			<b>0.4%</b>		<b>0.4%</b>				

- There are no recommended new and enhanced services for 2007.
  - The 2008 Outlook of \$2.160 million includes funding for COLA and merit adjustments, an additional day's pay for leap year; and salaries and benefit costs for positions that were gapped in 2007.
  - The 2009 Outlook increase of \$0.518 million or 1.4% is required to fund merit and step increases. In addition, it includes a day's salary cost reduction but does not provide for COLA, as the increase is subject to future negotiations.

- The 2007 Recommended Base Budget is \$0.165 million or 0.4% over the 2007 target. A person by person review of the 2006 actual salaries resulted in an annualized salary cost reduction of \$1.418 million. The 2007 gapping has been increased to 4% and the inflationary increases have been absorbed. The recommended net addition of \$0.165 million to the base budget is required to fund the resulting salary cost increases for Non-Union and Union employees.
- A review of the structure for Human Resources has been completed and a new service delivery model is being implemented.
- Key challenges facing the City Manager's Office include implementing a focused, priority-driven intergovernmental relations function; implementing a comprehensive Human Resources Plan for 3-1-1 recruitment options, employee and labour relations issues, training and change management, completing negotiations with the Toronto Professional Fire Fighters' Association, Local 3888 using an interest-based approach; and leading the corporate Health and Safety continuous improvement initiative, committed to the target of a zero injuries workplace.

**Recommendations**

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Operating Budget for the City Manager's Office of \$39.591 million gross and \$37.137 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Executive Management Office	2,072.3	2,072.3
Strategic & Corporate Policy	4,005.5	4,005.5
Internal Audit	984.7	412.4
Strategic Communications	2,658.6	2,609.7
Human Resources	29,870.1	28,037.5
	<hr/>	<hr/>
Total Program Budget	39,591.2	37,137.4
	<hr/>	<hr/>

## Section A: 2006 Budget Variance Analysis

**Table 2: 2006 Budget Variance Review**

	2005 Actuals **	2006 Approved Budget	2006 Projected Actuals*	2006 Appvd. Budget vs Projected Actuals Variance	
(In \$000s)	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	36,234.5	39,518.5	37,094.1	(2,424.4)	(6.1)
<b>REVENUES</b>	1,948.6	2,546.3	2,285.1	(261.2)	(10.3)
<b>NET EXP.</b>	34,285.9	36,972.2	34,809.0	(2,163.2)	(5.9)
<b>Approved Positions</b>	389.0	396.0	367.0	(29.0)	(7.3)

\* Source: Preliminary Year-End Operating Variance Report.

\*\* 2005 Actuals include Strategic Communications and Human Resources

### 2006 Experience

The City Manager's Office experienced a favourable preliminary year-end variance of \$2.163 million which is 5.9% under the 2006 Approved Budget of \$36.972 million. The under-spending was primarily due to lower actual salary costs due to hiring delays and vacant positions remaining unfilled at year-end pending the Human Resources Division's reorganization and for meeting the gapping target. This review was completed in the fourth quarter of 2006. The division's transition to a new service model is underway and the hiring process began in February, 2007.

### Impact of 2006 Operating Variance on 2007 Recommended Budget

On-going savings arising from the Human Resources reorganization of \$1.418 million have been included in the 2007 Recommended Operating Budget.

## **Section B: 2007 Operating Budget Overview**

### **3-Year Operating Budget Overview**

The City Manager's Office leads the City's administration team that sets overall broad direction and strategy for the corporation. The City Manager's Office oversees corporate, interdivisional and intergovernmental business activities, responds to the requests and needs of City Council, and provides business, operational and administrative support to the City Manager and the senior management team.

### **Service Delivery - Challenges and Issues**

The City Manager's Office is comprised of the following five divisions with varied functional responsibilities:

- Executive Management Division - provides professional and strategic support to lead and further improve the municipal administration.
- Strategic & Corporate Policy Division: provides policy advice related to governance and corporate performance, strategic planning, corporate policies, diversity management, citizen engagement and intergovernmental relations.
- Internal Audit Division: provides objective risk and business consulting services to senior management.
- Strategic Communications Division: provides communications planning and issues management.
- Human Resources Division: develops and delivers corporate HR policy and programs.

The Recommended 2007 Operating Budget for the City Manager's Office is \$0.165 million or 0.4% over the Approved 2006 Operating Budget and will support the same level of service as provided in 2006. Over the next 3 years, the City Manager's Office will focus on the following key challenges and opportunities:

- Implement the City of Toronto Act and new governance structure
- Develop a Corporate Strategic Communications Plan for the City of Toronto and the communication policies required to support its implementation.
- Monitor and track the implementation status of the Auditor General's recommendations.
- Implement new Human Resources structure and refocused HR mandate.
- Participate in a pilot project (with 8 other Cities in North and South America) to develop global indicators of municipal service performance and quality of life indicators for cities around the world.
- Ensuring that the Administration at all levels is open and encouraging public participation and input.
- Establishing effective working relationships and accountability between the City and its Agencies, Boards, Commissions and Corporations.

## Section C: 2007 Recommended Base Budget

Table 3: 2007 Recommended Base Budget

(In \$000s)	2006 Appvd. Budget	2007 Recommended Base	Change 2007 Recommended Base v. 2006 Appvd. Budget		FY Incremental Outlook	
			\$	%	2008	2009
	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	39,518.5	39,591.2	72.7	0.2	2,160.0	518.1
<b>REVENUE</b>	2,546.3	2,453.8	(92.5)	(3.6)	0.0	0.0
<b>NET EXP.</b>	36,972.2	37,137.4	165.2	0.4	2,160.0	518.1
<b>Approved Positions</b>	396.0	396.0	0.0	0.0		
<b>NET TARGET</b>		<b>36,972.2</b>			<b>0.0</b>	<b>0.0</b>
<b>\$ Over / (Under) Program Target</b>		<b>165.2</b>			<b>2,160.0</b>	<b>518.1</b>
<b>% Over / (Under) Program Target</b>		<b>0.4%</b>			<b>5.8%</b>	<b>1.4%</b>

## 2007 Recommended Base Budget

- The 2007 Recommended Base Budget for the City Manager's Office, of \$37.137 million net represents a 0.4% increase over 2006 Approved Base Budget to maintain 2006 service levels.
- Expenditure increases totaling \$2.3 million have been offset by a one-time salary budget reduction of \$1.4 million based on 2006 actual experience, increased gapping and absorption of economic factor increases on non-salary expenditures.

## 2007 Key Cost Drivers

- Key cost drivers for 2007 include:
  - COLA increase of \$1.244 million
  - Merit and step increases increase of \$0.922 million
  - Inflationary pressures of \$0.066 million

## 2008 and 2009 Outlook: Net Incremental Impact

The Outlooks for 2008 and 2009 include \$2.160 million or 5.8 % and \$0.518 million or 1.4% respectively over the 2007 Recommended Base Budget of \$37.137 million to maintain the 2007 service levels. The increases in 2008 are required to fund COLA, merit and step increases, and a day's pay for an additional work day. The 2009 Outlook includes merit and step increases and the reversal of one working day. No COLA is included in the 2009 Outlook as the increase is subject to future negotiations.

# Appendix 1

## Summary of Recommended Base Budget Changes

### From 2006 Approved Budget

(In \$000s)	Summary of 2007 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2008	2009
		\$	\$	\$	\$	\$
<b>2006 Council Approved Operating Budget</b>	<b>63.0</b>	<b>6,532.7</b>	<b>531.5</b>	<b>6,001.2</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments	1.0	85.0	0.0	85.0		
Corporate adjustments	332.0	32,900.8	2,014.8	30,886.0		
<b>2006 Approved Operating Budget</b>	<b>396.0</b>	<b>39,518.5</b>	<b>2,546.3</b>	<b>36,972.2</b>	<b>0.0</b>	<b>0.0</b>
Prior year impacts		121.3	(28.5)	149.8	2,160.0	518.1
Zero base items						
Economic factors		2,301.0	0.0	2,301.0		
<b>Adjusted Base Budget</b>	<b>396.0</b>	<b>41,940.8</b>	<b>2,517.8</b>	<b>39,423.0</b>	<b>2,160.0</b>	<b>518.1</b>
Other base changes		(2,349.6)		(2,349.6)		
Base revenue changes			(64.0)	64.0		
Recommended Service Level Adjustments:						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
<b>Total Recommended Base Adjustments</b>	<b>0.0</b>	<b>(2,349.6)</b>	<b>(64.0)</b>	<b>(2,285.6)</b>	<b>0.0</b>	<b>0.0</b>
<b>2007 Recommended Base Budget</b>	<b>396.0</b>	<b>39,591.2</b>	<b>2,453.8</b>	<b>37,137.4</b>	<b>2,160.0</b>	<b>518.1</b>
<b>2007 Program Operating Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>36,972.2</b>	<b>0.0</b>	<b>0.0</b>
<b>% Over (Under) Program Target</b>				<b>0.4%</b>	<b>5.8%</b>	<b>1.4%</b>
<b>% Over (Under) 2006 Appvd. Budget</b>				<b>0.4%</b>	<b>5.8%</b>	<b>1.4%</b>



## Appendix 4

### Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Balance as of December 2006 \$	Proposed Withdrawals (-) / Contributions (+)		
			2007	2008	2009
			\$	\$	\$
Insurance Reserve Fund	XR1010	17,536.0	74.8	74.8	74.8
Vehicle Equipment Replacement	XQ0003	16,078.6	2.3	2.3	2.3
<b>Total Reserve / Reserve Fund Draws / Contributions</b>			<b>77.1</b>	<b>77.1</b>	<b>77.1</b>