

Analyst Briefing Notes

Budget Committee

(March 26, 2007)

2007 OPERATING BUDGET

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2007 OPERATING BUDGET

Executive Summary

- The Program's 2006 preliminary year-end projection of \$0.508 million gross and \$0.340 million net is at its 2006 Approved Budget level. Actual expenditures and revenues both are \$0.163 million under budget resulting in zero net variance. \$0.100 million gross under spending is due to the delay of the First Parliament Site project, and \$0.063 million unachieved revenues resulted in equal program cost reductions to prevent over-spending in relation to the budget
 - The 2007 Recommended Budget is reduced by \$0.100 million gross, zero net resulting from the delay of the First Parliament Site project, with no immediate plans for it to continue. Heritage Toronto will include a status update on the project, to be fully funded by Federal funds, in its 2008 Operating Budget Submission.
- The 3-Year Operating Budget supports Heritage Toronto's commitment to the development of a shared sense of place and memory among the citizens of Toronto through strong community involvement to interpret, support and act as advocates on behalf of the City's historic buildings as well as natural, archaeological and cultural heritage.
 - 2007 is the second year of the "Revenue Strategy to Support Current Program Activities" and efforts will continue to grow revenue streams and gain efficiencies in program delivery.
 - A major challenge for 2007 and beyond will be to continue to contribute meaningfully to the growing number of heritage property issues as redevelopment of various parts of the City proceeds over the coming years.
- The 2007 Recommended Operating Budget of \$0.370 million net is 8.7% or \$0.030 million over the 2006 Approved Budget and the 2007 target.

Table 1: 2007 Recommended Budget

(In \$000s)	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
	\$	\$	\$	\$	\$			\$	\$
GROSS EXP.	671.3	508.0	571.3	34.7	606.0	(65.3)	(9.7)	35.0	2.0
REVENUE	331.1	167.8	231.1	5.0	236.1	(95.0)	(28.7)	15.0	51.7
NET EXP.	340.2	340.2	340.2	29.7	369.9	29.7	8.7	20.0	(49.7)
Approved Positions	5.0	5.0	5.0	1.0	6.0	1.0	20.0		
TARGET			340.2		340.2				
\$ Over / (Under) Program Target			0.0		29.7				
% Over / (Under) Program Target			0.0%		8.7%				

- The 2007 Recommended Operating Budget of \$0.370 million net is comprised of base funding of \$0.340 million and new/enhanced service priorities of \$0.030 million. This represents a \$0.030 million or 8.7% increase over the 2006 Approved Operating Budget of \$0.340 million.
- The 2007 Recommended Base Budget of \$0.034 million is at the target.
 - The 2007 Recommended Base Budget includes \$0.012 million to fund merit and step increases.
 - Heritage Toronto has identified efficiency reductions of \$0.012 million, offsetting the inflationary increases, resulting in the 2007 Recommended Base Budget at the 0% target.
- Enhanced Service funding of 0.035 million gross and \$0.030 million net is recommended for a new Communications Coordinator position. This position will assist Heritage Toronto deliver its strategy of increasing self-generated revenue levels which contribute to overhead cost and improve the delivery of programs.
 - The new position has an annualized cost in 2008 of \$0.070 million gross with revenue of \$0.020 million for a net expenditure of \$0.050 million. For 2009, it is projected that expenditures of \$0.072 for the position will equal increased revenues achieved for net zero result.
- The 2007 Recommended Operating Budget allows Heritage Toronto to improve the identification of potential plaque projects about those who are often overlooked in Toronto's history and heritage – First Nations, Women and Multi-cultural communities.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Operating Budget for Heritage Toronto of \$0.606 million gross and \$0.370 million net, comprised of the following services, be approved:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Heritage Programming	263.9	141.9
Advocacy	217.1	216.5
Heritage Fund Development	125.0	11.5
	<hr/>	<hr/>
Total Program Budget	<u><u>606.0</u></u>	<u><u>369.9</u></u>

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)	\$	\$	\$	\$	%
GROSS EXP.	457.3	671.3	508.0	(163.3)	(24.3)
REVENUES	149.4	331.1	167.8	(163.3)	(49.3)
NET EXP.	307.9	340.2	340.2	0.0	0.0
Approved Positions	5.0	5.0	5.0	0.0	0.0

Source: *Projected Actuals Based on the Preliminary Year-End Operating Variance Report.

2006 Experience

Heritage Toronto's Preliminary Year-End Variance report indicates that the Program is at budget for year-end, on a net basis. The 2006 actual expenditures and revenues are both \$0.100 million below the 2006 Approved Budget due to the delay of the First Parliament Site project. \$0.063 million in Revenues were not obtained in 2006, and program costs were reduced by \$0.063 million, to prevent over-spending in relation to the budget.

Impact of 2006 Operating Variance on 2007 Recommended Budget

The First Parliament Site project, to be fully funded by Federal funds, has been delayed with no immediate plans for it to continue. Heritage Toronto will include a status update on the project in its 2008 Operating Budget Submission. (see page 11).

Section B: 2007 Operating Budget Overview

3-Year Operating Budget Overview

During the 2006 Operating Budget Review process Heritage Toronto was directed to report to Budget Advisory Committee, prior to the 2007 Operating Budget process, on a revenue strategy to support current program activities that may be funded by donations, sponsorships and other revenue activities.

The report to Budget Advisory Committee on June 28, 2006, "Revenue Strategy to Support Current Program Activities", presented a revenue strategy to support current program activities that may be funded by donations and other revenue sources. The contribution to overhead for non-receipted programs will be targeted at between 30-40%, depending on the market conditions that limit the pricing of the programs. Heritage Toronto will aggressively search out Federal and Provincial grants to help improve the delivery of programs and contribute to overhead costs. This Strategy is seen to be succeeding in reducing direct operating expenses and increasing revenues from sponsorship, program fees and charitable donations in 2006.

2007 is the second year of the strategy and efforts will continue to grow revenue streams and gain efficiencies in program delivery. Administrative costs have been effectively reduced by \$0.012 million in 2007 as a result of finding corporate sponsors and spreading overhead costs across the Charitable Donations Programs. The "Revenue Strategy" will continue through 2008-2009 with the goal of improving program delivery while staying within the 0% funding target.

Service Delivery - Challenges and Issues

The 2007 Recommended Budget includes resources to support its program delivery capabilities. Heritage Toronto will continue to enhance the level of communications with the public, the business community and the heritage community through the appointment of a Communications Coordinator thereby improving message delivery methods, quality of the message delivered and awareness of heritage issues. Heritage Toronto will look to ensure greater public participation and awareness in significant heritage planning initiatives such as the future development of the First Parliament Site. Heritage Toronto will continue to increase its fee paying membership base and present a new volunteer recruitment program that will expand the number of volunteers regularly available to deliver or support program activities from 150 to 250 within three years. Participation in Walking Tours will increase to 4,000 in 2007, from 3,500 in 2006.

To meet the increasing public demand Heritage Toronto is expanding programs and services in three key areas.

- T.H.I.N.K. (Toronto's Heritage: Improving Neighbourhood Knowledge) will provide curriculum based materials for elementary level students, their parents and teachers that meets the new Ontario requirements for neighbourhood specific heritage information. At the same time, working with libraries, local museums and community centres, Heritage Toronto will be encouraging local neighbourhoods to develop and tell their own stories about how their community and/or culture helped build the city as we know it today.

- Community Conservation is an effort to directly support citizen-driven programs, projects and/or services that help to conserve the heritage fabric of their neighbourhood. Projects that would not qualify for funding from other city sources will be supported by Heritage Toronto. In just over three years, over \$200,000 of community generated funding has been invested in such projects.
- Plaques and markers from all corners of the city have always provided excellent information about existing buildings and well known sites, people and events. Heritage Toronto will be putting a strong effort into identifying potential plaque projects about those who are often overlooked when looking at Toronto's history and heritage – First Nations, Women and Multi-cultural subjects. The Heritage Plaque program is planning for the installation of 45 plaques in 2007, an increase from 27 plaques installed in 2007.

The new Communications Coordinator will assist Heritage Toronto implement the "Revenue Strategy" over 2007-2009, and efforts will continue to grow revenue streams and gain efficiencies in program delivery. A major challenge for 2007 and beyond will be to continue to contribute meaningfully to the growing number of heritage property issues resulting from the increasing redevelopment of various parts of the City.

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
	\$	\$	\$	%	\$	\$
GROSS EXP.	671.3	571.3	(100.0)	(14.9)	0.0	0.0
REVENUE	331.1	231.1	(100.0)	(30.2)	0.0	0.0
NET EXP.	340.2	340.2	0.0	0.0	0.0	0.0
Approved Positions	5.0	5.0	0.0	0.0		
NET TARGET		340.2			0.0	0.0
\$ Over / (Under) Program Target		0.0			0.0	0.0
% Over / (Under) Program Target		0.0%			0.00%	0.00%

2007 Recommended Base Budget

- The 2007 Recommended Base Budget of \$0.340 million net represents no increase over Heritage Toronto's 2006 Approved Base Budget while maintaining 2006 service levels.
- The First Parliament Site project, to be fully funded by Federal funds, has been delayed with no immediate plans for it to move forward. Heritage Toronto's 2007 Recommended Operating Gross Budget is reduced by \$0.100 million and the Provincial funding is reduced by \$0.100 million for a net zero impact.

2007 Key Cost Drivers

The Key cost driver for 2007 is the additional \$0.012 million in salary and benefits lines to fund merit and step increases, offset by efficiency reductions of \$0.012 million in administrative costs, resulting in a Base Budget at the 0% Target.

2008 and 2009 Outlook: Net Incremental Impact

The 2008 Outlook maintains the 2007 recommended level of service since the COLA and merit increases for staff will be absorbed by planned efficiencies in other areas, not impacting service levels. The First Parliament Site project, to be fully funded by Federal funds, has been delayed with no immediate plans for it to move forward. The program will provide an update on the progress of the First Parliament site with its 2008 Operating Budget Submission. No incremental impacts are projected for 2009.

Section D: 2007 Recommended Service Priorities

Table 4: Summary of 2007 New / Enhanced Service Priorities (In \$000s)

Description	2007 Recommended		Rec. New Positions	Net Incremental Impact	
	Gross Exp.	Net Exp.		2008	2009
	\$	\$		\$	\$
(a) Enhanced Service Priorities- Council Approved					
(b) Enhanced Service Priorities- Program Initiated					
Communication Coordinator	34.7	29.7	1.0	20.0	(49.7)
Sub-Total Enhanced Services	34.7	29.7	1.0	20.0	(49.7)
(a) New Service Priorities- Council Approved					
(b) New Service Priorities- Program Initiated					
Sub-Total New Service Priorities	0.0	0.0	0.0	0.0	0.0
Total Recommended New / Enhanced Service Priorities	34.7	29.7	1.0	20.0	(49.7)

2007 Recommended Service Priorities

Recommended Enhanced Service - Program Initiated:

- New Communications Coordinator**

An increase of \$0.030 million net is included in the 2007 Recommended Operating Budget, for the creation of a new Communications Coordinator position. The Communications Coordinator would focus on all agency communications activities. It is projected that through raising the level of interest and support for Heritage programs and through improving the web applications, this position will pay for itself by 2009 through the generation of incremental revenue. The individual will improve communication techniques and practices in both electronic and print media. The projected revenue is expected come from website and newsletter generated sponsorships and advertising sales, plus memberships and general charitable donations.

The position is recommended to start in June, 2007 with a cost of \$0.035 million, and initially generate \$0.005 million revenue, for a net cost of \$0.030 million in 2007.

In 2008, the costs for the position would be annualized, by the addition of \$0.035 million, to \$0.070 million gross with revenue to be increased by \$0.15 million, to \$0.020 million for a net increase of \$0.050 million.

For 2009, it is projected that expenditures of \$0.072 for the position will equal increased revenues to achieve a net zero impact on Heritage Toronto's Operating Budget.

Issues for Discussion

2008 and 2009 Outlook Issues

First Parliament Site

Heritage Toronto played a significant role in focusing the public desire for the return of the site of Ontario's First Parliament Building to public ownership during 2001-2003. This work led to the Ontario Government's acquisition of one third of the site in 2005. The City owns a portion of the site which is maintained as green space.

The portion of the site where the remains of the First Parliament Building have been found continues in private ownership. The Provincial Government has expressed interest in acquiring this portion of the site. Heritage Toronto anticipates that it would once again work to provide public information and input into the acquisition of the outstanding property, with the Province again funding Heritage Toronto's involvement in that process.

The First Parliament Site project, to be fully funded by Federal funds, has been delayed with no immediate plans for it to continue. Heritage Toronto will include a status update on the project in its 2008 Operating Budget Submission. The plan for future use of the site will also be better defined as the acquisition proceeds. At this early stage it is anticipated that a joint committee including City, Province and Federal Governments will develop a plan for the future of the site.

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
		\$	\$	\$	\$	\$
2006 Council Approved Operating Budget	5.0	670.4	331.1	339.3	0.0	0.0
In-year approvals and technical adjustments		0.9		0.9		
Corporate adjustments						
2006 Approved Operating Budget	5.0	671.3	331.1	340.2	0.0	0.0
Prior year impacts				0.0		
Zero base items						
Economic factors		11.5	0.0	11.5		
Adjusted Base Budget	5.0	682.8	331.1	351.7	0.0	0.0
Other base changes		(100.0)	(100.0)	0.0		
Base revenue changes						
Recommended Service Level Adjustments:						
Service efficiencies		(11.5)	0.0	(11.5)		
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	0.0	(111.5)	(100.0)	(11.5)	0.0	0.0
2007 Recommended Base Budget	5.0	571.3	231.1	340.2	0.0	0.0
2007 Program Operating Target	N/A	N/A	N/A	340.2	0.0	0.0
% Over (Under) Program Target				0.0%	0.0%	0.00%
% Over (Under) 2006 Appvd. Budget				0.0%	0.0%	0.00%

Appendix 2
Summary of Service Level Adjustments

Appendix 3

Summary of 2007 Recommended New / Enhanced Service Priorities