

Analyst Briefing Notes

Budget Committee

(March 26, 2007)

2007 OPERATING BUDGET

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2007 OPERATING BUDGET**Executive Summary**

- The 2006 preliminary year-end net expenditure of \$15.674 million is \$0.251 million below the 2006 Approved Operating Budget mainly due to savings in non-salary expenditures resulting from the ongoing program restructuring related to the finance and administration reorganization. The gross under-expenditure of \$2.359 million is mainly attributable to the delay in implementation of the Youth Employment and Local Leadership program (100% funded), as negotiations have not been finalized with Service Canada and Toronto Youth Job Corps Program.
 - With the re-organization in progress, the preliminary year-end savings are anticipated to continue into 2007 and are reflected in the 2007 Recommended Budget to achieve target.
- The 2007 Recommended Operating Budget supports the 3-Year strategic direction outlined in the Social Development, Finance and Administration (SDFA) Business Plan and provides funding for service priorities which include the following:
 - supporting the 13 Neighbourhood Action teams in the City's priority neighbourhoods to better coordinate services, promote partnership opportunities in neighbourhood investment and developing and facilitating resident engagement;
 - continued support for employment training initiatives for youth in community safety neighbourhoods by working with over 200 employers through the Toronto Youth Job Corps and Youth Employment Partnerships programs to serve 3,900 youths in 2007;
 - continuing to coordinate and administer the Community Partnership and Investment Program (CPIP) ensuring the investments are aligned with Council priorities;
 - coordinating Crisis Responses for the City; and,
 - providing consultation, cluster oversight in developing and coordinating the operating and capital budgets, financial reporting and revenue and subsidy management of \$1,600.0 million subsidy claims from the Provincial and Federal government.
- The 2007 Recommended Operating Budget of \$15.925 million net is at target mainly as a result of savings from the divisional re-organization, which involves consolidation of activities within the Program, and a reduction in overall expenditures through service efficiencies implemented in 2006.

Table 1: 2007 Recommended Budget

(In \$000s)	2006		2007 Recomm'd Operating Budget			Change - 2007 Recommended Operating Budget v. 2006 Appvd. Budget		FY Incremental Outlook	
	2006 Appvd. Budget	2006 Projected Actual	2007 Recomm'd. Base	2007 Rec. New /Enhanced	2007 Rec. Operating Budget			2008	2009
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	27,954.9	25,595.5	27,732.3	200.0	27,932.3	(22.6)	(0.1)	71.1	(56.8)
REVENUE	12,029.7	9,921.5	11,807.1	200.0	12,007.1	(22.6)	(0.2)	0.0	0.0
NET EXP.	15,925.2	15,674.0	15,925.2	0.0	15,925.2	(0.0)	(0.0)	71.1	(56.8)
Approved Positions	222.3	222.3	221.3	2.5	223.8	1.5	0.7	(2.0)	0.0
TARGET			15,925.2		15,925.2				
\$ Over / (Under) Program Target			0.0		0.0				
% Over / (Under) Program Target			0.0%		0.0%				

- The 2007 Recommended Operating Budget of \$15.925 million net consists of base funding and new/enhanced service priorities of \$0.200 million gross, fully funded by the Safe Communities Foundation and other private sector representatives.
 - The 2008 incremental costs consist of an increase of \$0.014 million for ongoing Cost of Living Adjustment (COLA), merits, and step increases, and \$0.057 for an additional one day in 2008. The outlook for 2009 does not include a provision for COLA, as the increase is subject to future negotiations.
- The 2007 Recommended Base Budget of \$15.925 million net is mainly attributable to key cost drivers such as ongoing COLA of \$0.198 million, \$0.137 million for merit and step, and \$0.068 million for non-labour inflationary factors, the 2007 impact of \$0.142 million for annualization of positions approved by Council in 2006, offset by efficiencies gained through re-organization and other service realignment of \$0.468 million.
- The 2007 Recommended Budget services 3,900 youths through 9 employment programs, processes 560 provincial subsidy claims with a value of \$1,600.0 million, and completes 270 social policy information requests.
- Services priorities that support the Mayor's Mandate include implementing City's Community Safety Plan by investing in the 13 priority neighbourhoods through coordination and leadership with Parks, Forestry and Recreation and supporting employment training for youth in community safety neighbourhoods for Youth Employment, Youth entrepreneurship, and the Youth Training and Apprenticeship Opportunities Advancement program.
- Funding for a New/Enhanced Service Priority is recommended (\$0.2 million gross, 100% funded by the Safe Communities Foundation and private sector representatives) to support the City pursuing the "World Health Organization (WHO) – safe community designation". Two temporary positions will be hired to assist on this project.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. The 2007 Recommended Operating Budget for SDFA of \$27.932 million gross and \$15.925 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Administration & Program Support	15,340.4	8,539.3
Community Resources	6,851.7	1,845.7
Customer & Business Support	<u>5,740.1</u>	<u>5,540.1</u>
Total Program Budget	<u>27,932.2</u>	<u>15,925.1</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)	\$	\$	\$	\$	% Unspent
GROSS EXP.	29,859.3	27,954.9	25,595.5	2,359.4	8.4
REVENUES	9,612.8	12,029.7	9,921.5	2,108.2	17.5
NET EXP.	20,246.5	15,925.2	15,674.0	251.2	1.6
Approved Positions	216.0	222.3	222.3	0.0	0.0

* Projected Actual based on [the Preliminary Year-End Operating Variance Report](#).

2006 Experience

The preliminary year-end favourable variance of \$2.359 million (gross) is mainly attributed to the under-expenditure in the Youth Employment and Local Leadership program (YELL), which was delayed due to negotiations with Service Canada. This under-expenditure also results in a corresponding reduction in revenue of \$2.108 million, as YELL is 100% funded by the Federal government. The resulting net favourable variance of \$0.251 million is attributable to efficiencies achieved in general expenditure reduction, re-organization and service realignment across the Division.

Impact of 2006 Operating Variance on 2007 Recommended Budget

With the re-organization currently in progress, the projected savings are anticipated to continue into 2007 and be used to meet the operating budget target. Included in the 2007 Recommended Budget is \$0.468 million in savings to achieve target.

Section B: Operating Budget Overview

3-Year Operating Budget Overview

On an ongoing basis, Social Development, Finance and Administration (SDFA) will continue to provide leadership and support to the Deputy City Manager, for Citizen Centred Service “A” Cluster, and City Council to promote social inclusion, foster safe neighbourhoods and communities, promote community engagement and advance life skill opportunities for youth. The Program identifies and responds to community social needs, through CPIP and Youth Employment programs and Community Safety Secretariat, undertakes social planning and trend analysis, develops social policy responses, provides financial, administrative, IT and communication support and oversight.

The 3-Year Operating Budget supports the strategic direction of SDFA to:

- develop sustainable partnerships to advance life skill opportunities for youth;
- advance the City’s Community Safety Plan and other related Council priorities;
- advance community capacity building, resident involvement, and engagement in neighbourhoods through initiatives such as Neighbourhood Action in 13 priority neighbourhoods and the Regent Park Social Development Plan;
- maintain and enhance capacity of community-based service sector to respond to community needs;
- monitor and assess the city’s social conditions; and,
- complete the consolidation and realignment of the financial and administrative support for the Cluster.

Service Delivery – Challenges and Issues

SDFA strives to improve social prospects and conditions for residents of the City of Toronto by providing leadership, expertise, and professionalism in developing social policy, strengthening communities, and efficiently providing effective support to service delivery. SDFA provides community resources and administration & program supports to clients including Council, Deputy City Manager, Cluster A, Operating Divisions and ABCs, community-based organizations, neighbourhoods and communities of interest.

Key services provide by the 2007 Recommended Budget include:

- effective coordination and direction of social policy and planning, analysis and research;
- provision, facilitation and brokering of effective financial ,administrative, IT and communications support and oversight in order to improve service delivery to residents, meet Cluster accountability requirements and to ensure alignment and compliance with corporate objectives;
- process 780 applications and provide 580 awards through the Corporate Community Partnership and Investment program totaling \$12.9 million;
- provide service to 3,900 youths through nine employment programs;

- process 560 provincial subsidy claims reconciliations with a value of \$1,600.0 million;
- complete 270 social policy information requests; and,
- continue implementation of the City's Community Safety Plan focusing on youth opportunities and crisis response.

The 2007 Recommended Operating Budget also includes funding for a new service priority, World Health Organization (WHO) – Safe Community Designation (\$0.2 million), to enable the City to achieve improvements in community safety by strengthening and coordinating current resources and activities in addressing the unintentional and intentional injuries, in collaboration with key stakeholders from the public and private sectors. Project management and research support are required to facilitate neighbourhood leadership and community plans, and to coordinate data compilation and reporting for annual reports.

SDFA continues to face a number of challenges such as the implementation and management of below market City space for community use, increase effective resident engagement in neighbourhood action, manage demand for additional investment in infrastructure poor neighbourhoods, leading strategic policy and research initiatives on social inclusion, and increase the awareness and understanding of the City's social conditions in the new term of Council.

The key issue for SDFA in 2007 is to continue maintaining current service standards and performance in the face of increasing expectations and demands for service from its implementation of the City Community Safety Plan and related initiatives which originated in 2004. The Program has thus far, managed the workload by re-allocating and re-aligning existing resources. However, this presents an on-going challenge to meet the Program's expectations without an increase in staffing and budget resources.

In 2006, as part of the re-organization of the City's administrative structure, the financial and administration functions that support the divisions and the Deputy City Manager in Cluster "A" were re-aligned. The former Social Development and Administration Division has been merged with the finance and administration functions in the former Customer and Business Support Division, as well as the additional requirement, to support EMS and Court Services to form the SDFA Division. There are no other efficiency initiatives including service reviews and/or service rationalizations identified to achieve the 0% target in 2008 and 2009. However, any potential future savings that may be realized from divisional re-organization, will be identified by the staff on an on-going basis. It is anticipated that \$0.468 million saving will be achieved in 2007 through consolidation of activities and other non-labour reductions within the Program, to achieve the 0% target for 2007.

Mayor's Mandate

The 2007 Recommended Operating Budget directly advances the following priorities outlined in the Mayor's Mandate by supporting:

- the implementation of the City's Community Safety Plan, which includes full implementation of neighbourhood action planning, focusing on creating new and innovative service delivery partnerships both between City service areas and between the City and other institutions, community based organizations, other orders of government and resident engagement, and further developing the City's crisis response capacity in partnership with Toronto Police Service and Communities; and,

- employment training to 3,900 youth in community safety neighbourhoods through partnerships with Toronto Social Service for Youth Employment, Youth entrepreneurship with EDCT, and participate in the Youth Training and Apprenticeship Opportunities Advancement program. The goal of this initiative is to expand and enhance opportunities for youth in areas such as employment, education, training, and mentorship.

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.	27,954.9	27,732.3	(222.6)	(0.8)	71.1	(56.8)
REVENUE	12,029.7	11,807.1	(222.6)	(1.9)	0.0	0.0
NET EXP.	15,925.2	15,925.2	0.0	0.0	71.1	(56.8)
Approved Positions	222.3	221.3	(1.0)	(0.4)	(2.0)	
NET TARGET					0.0	0.0
\$ Over / (Under) Program Target		0.0			71.1	(56.8)
% Over / (Under) Program Target		0.0%			0.45%	-0.36%

2007 Recommended Base Budget

The 2007 Recommended Base Budget of \$15.925 million maintains the 2006 service level and is at target mainly through service efficiencies resulting from divisional re-structuring.

The 2007 Recommended Base Budget of \$27.732 million (gross) is \$0.223 million below the 2006 Approved Budget mainly attributable to the following: 2007 impacts from the annualizations of 2006 Council approved positions of \$0.142 million; COLA, merit and step increases of \$0.334 million; and, inflationary increases of \$0.068 million.

The increased expenditure is offset by the reductions in expenditures to be achieved through efficiencies gained from the realignment of services implemented in 2006 (\$0.468 million). Also, the 2007 Recommended Base Budget includes a reduction of 1 IT manager position as part of the ongoing review in SDFA, resulting in an expenditure reduction of \$0.072 million net.

2007 Key Cost Drivers

A summary of the key cost drivers include the following:

- the 2007 annualized impact of \$0.142 million for positions approved by Council in 2006 to support the City's Community Safety Plan;
- efficiencies gained through re-organization of \$0.468 million; and,
- ongoing COLA of \$0.198 million, \$0.137 million for merit and step, and \$0.068 million for non-labour inflationary increases.

2008 and 2009 Outlook: Net Incremental Impact

The 2008 Outlook net increase of \$0.071 million or 0.45% represents ongoing COLA, merit and step increase (\$0.014 million), while maintaining the 2007 recommended level of service, and \$0.057 million for an additional day in 2008. The outlook for 2009 represents the reversal of the one additional day in 2008. The outlook for 2009 does not include a provision for COLA, as the increase is subject to future negotiations.

Section D: 2007 Recommended Service Priorities

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

Priority	Description	2007 Recommended		Rec. New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.		2008	2009
		\$	\$		\$	\$
(a) Enhanced Services Priorities - Council Approved:						
(b) Enhanced Services Priorities - Program Initiated:						
Sub-Total Enhanced Services Priorities		0.0	0.0	0.0	0.0	0.0
(a) New Services Priorities - Council Approved:						
(b) New Services Priorities - Program Initiated:						
1 World Health Organization- Safe Community Designation		200.0	0.0	2.0		
2 Staff Conversion (1.5 to 2.0 Approved Positions)		0.0	0.0	0.5		
Sub-Total New Service Priorities		200.0	0.0	2.5	0.0	0.0
Total Recommended New / Enhanced Service Priorities		200.0	0.0	2.5	0.0	0.0

2007 Recommended Service Priorities

New Service Priorities – Program Initiated:

World Health Organization (WHO) – Safe Community Designation

The WHO Safe Community Designation will enable the City to achieve improvements in community safety by strengthening and coordinating current resources and activities in addressing unintentional injuries (e.g. falls, motor vehicle collisions) and intentional injuries (e.g. self-harm and interpersonal violence), in collaboration with key stakeholders from the public and private sectors.

Project management and research support are required to provide policy leadership to a multi-stakeholder Steering Committee, develop appropriate inter-divisional coordination and cross-sectoral cooperation with variety of stakeholders from the public and private sectors and members of the community in the areas of childrens' safety, youth and school safety, seniors' and transportation safety, facilitate neighbourhood leadership and community plans, and to coordinate data compilation and reporting for annual reports that are required by WHO. This one-time new service priority requires \$0.200 million gross and \$0 net and 2 temporary staff positions (1 Policy Development Officer and 1 Planning Analyst), to be funded by the Safe Communities Foundation and other private sector representatives. This project may likely be continued beyond 2007.

Conversion of Staff Positions

The conversion of 1 Agency Review Officer position and a 0.5 Program Support Analyst (PSA) position to 2 full-time PSA positions, resulting in an increase of 0.5 position is required as it enables the unit to manage the increased demands related to delivery of 2 additional funding programs (from the 4 funding programs in 2006), and the on-going large number of applications to be processed (estimated at 780 for 2007, up from 757 in 2006). The increase in service will thus, contribute to community capacity. No financial impact will result from this conversion as the salary of the 1.5 positions is sufficient to provide for the 2 PSA positions.

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	294.3	32,777.6	11,553.5	21,224.1	0.0	0.0
In-year approvals and technical adjustments	(72.0)	(4,822.7)	476.2	(5,298.9)	56.8	(56.8)
Corporate Adjustmnets						
2006 Approved Operating Budget	222.3	27,954.9	12,029.7	15,925.2	56.8	(56.8)
Prior year impacts		152.3	10.5	141.8		
Zero base items						
Economic factors		944.1	536.3	407.8	14.3	
Adjusted Base Budget	222.3	29,051.3	12,576.5	16,474.8	71.1	(56.8)
Other base changes	(1.0)	(851.0)	(787.4)	(63.6)		
Base revenue changes			18.0	(18.0)		
Recommended Service Level Adjustments:						
Service efficiencies		(468.0)		(468.0)		
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	(1.0)	(1,319.0)	(769.4)	(549.6)	0.0	0.0
2007 Recommended Base Budget	221.3	27,732.3	11,807.1	15,925.2	71.1	(56.8)
2007 Program Operating Target	N/A	N/A	N/A	15,925.2	0.0	0.0
% Over (Under) Program Target				0.0%	0.4%	-0.36%
% Over (Under) 2006 Appvd. Budget				0.0%	0.4%	-0.36%

Appendix 2
Summary of Service Level Adjustments

Appendix 3

Summary of 2007 Recommended New / Enhanced Service Priorities

Appendix 4

Inflows / Outflows to / from Reserves & Reserve Funds (In \$000s)

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Business Case / Issue	Balance as of December 2006 \$	Proposed Withdrawals (-) / Contributions (+)		
				2007 \$	2008 \$	2009 \$
Sick Pay Reserve Fund	XR1007	-	67,266.0	67.1	67.1	67.1
Insurance Reserve Fund	XR1010	-	17,456.0	122.2	122.2	122.2
Ontario Works Target Incentive Fund	XR2101	-	2,149.1	(244.4)		
Total Reserve / Reserve Fund Draws / Contributions				(55.1)	189.3	189.3