

Analyst Briefing Notes

Budget Committee

(March 26, 2007)

2007 OPERATING BUDGET

Executive Summary	2
Recommendations	4
Section A: 2006 Budget Variance Analysis	5
2006 Experience	5
Impact of 2006 Operating Variance on 2007 Recommended Budget	5
Section B: 2007 Operating Budget Overview	6
3-Year Operating Budget Overview	6
Service Delivery - Challenges and Issues	6
Mayor's Mandate	7
Section C: 2007 Recommended Base Budget.....	8
2007 Recommended Base Budget	8
2007 Key Cost Drivers	8
Section D: 2007 Recommended Service Priorities	N/A
Summary of 2007 Recommended 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
Appendices:	
Appendix 1: Summary of Recommended Base Budget Changes from 2006 Approved Budget..	10
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	N/A

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2007 OPERATING BUDGET

Executive Summary

- The 2006 preliminary year-end actual expenditure of \$2.290 million gross is \$0.006 million or 0.2% under the 2006 Approved Budget due to under-achieved revenues in maintaining a relatively balanced year end result.
- The Toronto Atmospheric Fund's 2007 to 2009 Operating Budget supports TAF's strategic direction is to work with a wide variety of partners to accelerate local reductions of greenhouse gases and air pollutants and to support the City of Toronto's development and implementation of a Climate and Clean Air Action Plan.
 - The Program's challenges include enhancing their in-house lending team to a higher level of expertise, establishing more partnerships to meet the expanding interest in reducing gas emissions and increasing the City's current emission reductions by working with other larger cities internationally.
- The 2007 Recommended Operating Budget of \$1.835 million gross is 20% below the 2006 Approved Operating Budget. Revenues are \$1.835 million or 20% below the 2006 Approved Budget, resulting in a 2007 Recommended Operating Budget of \$0 net.

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.	2,295.6	2,289.9	1,834.8	0.0	1,834.8	(460.8)	(20.1)	13.0	5.0
REVENUE	2,295.6	2,289.9	1,834.8	0.0	1,834.8	(460.8)	(20.1)	13.0	5.0
NET EXP.	0.0	0.0	0.0	0.0	0.0	0.0	N/A	0.0	0.0
Approved Positions	4.0	4.0	4.0	0.0	4.0	0.0	0.0		
TARGET			0.0		0.0				
\$ Over / (Under) Program Target			0.0		0.0				
% Over / (Under) Program Target			N/A		N/A				

- The 2007 Recommended Operating Budget of \$1.835 million gross (\$0 net) is comprised of \$1.835 million gross (\$0 net) base funding and no new/enhanced service priorities.

- The 2008 and 2009 Outlook gross increase of \$0.013 million or 4.7% and \$0.005 million or 1.8% respectively includes a Cost-of-Living Adjustment (COLA) and merit and step increases. The 2009 Outlook includes \$0.005 million for a merit and step increase.
- The 2007 Recommended Base Budget provides funding to maintain the same level of service as in 2006.
- The key cost drivers consist of Grants (\$0.010 million decrease) and Administration Expenses (\$0.075 million increase).
 - The decrease in Grants of \$0.010 million is the net result of the decrease of \$0.077 million in City Grants and an increase of \$0.067 million in Community Grants.
 - The increase in Administration Expenses of \$0.075 million is primarily due to the increase of \$0.050 million for one contract person to assist in special projects and grant allocations.
- TAF will be playing a major role in supporting the Mayor's objectives which include developing a plan to cut greenhouse gas emissions and helping combat global warming. TAF will also be assisting in implementing the City's smog plan to reduce the smog-causing pollutants by 20% by 2012. TAF will be completing their Greenhouse Gas and Air Emissions Inventory and Analysis in 2007 in partnership with the Toronto Environment Office. This information will assist in the development of a community wide reductions strategy.
- A key issue facing the Toronto Atmospheric Fund is the ability to maximize their investment potential for the endowment portfolio. Service levels will be impacted if the endowment portfolio does not do well.
- TAF supports local initiatives to reduce greenhouse gas emissions to help slow climate change. The 2007 Recommended Base Budget provides funding to maintain the same level of service as in 2006. The Program will further improve performance by increasing fundraising activities to support its activities.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the Toronto Atmospheric Fund 2007 Recommended Operating Budget of \$1.835 million gross and \$0 net, comprised of the following service, be approved:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Toronto Atmospheric Fund	1,834.7	0.0
Total Program Budget	1,834.7	0.0

Section A: 2006 Budget Variance Analysis

Table 2: 2006 Budget Variance Review

(In \$000s)	2005 Actuals	2006 Approved Budget	2006 Projected Actuals*	2006 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	1,731.9	2,295.6	2,289.9	(5.7)	(0.2)
REVENUES	1,915.2	2,295.6	2,289.9	5.7	0.2
NET EXP.	(183.3)	0.0	0.0	0.0	N/A
Approved Positions	4.0	4.0	4.0	0.0	0.0

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

2006 Experience

The Toronto Atmospheric Fund has a preliminary year-end gross variance of \$0.006 million and zero million net.

- Gross expenditures are \$0.006 million below the 2006 Approved Budget due to savings in material and supplies offset by income generated from the investment performance of the endowment which was lower than projected.

Impact of 2006 Operating Variance on 2007 Recommended Budget

The 2006 gross expenditure and revenue variance has no impact on the 2007 Recommended Budget. TAF establishes its budget from the projected income that will be generated from the investment performance of the endowment. The gross expenditures are set based on the projected investment and other income.

Section B: 2007 Operating Budget Overview

3-Year Operating Budget Overview

The 3-Year Operating Budget for the Toronto Atmospheric Fund (TAF) is a financially self-sustaining not-for-profit corporation. It provides funding to enable the Program to support local initiatives to reduce Toronto's greenhouse gas emissions to help slow climate change. The Program is currently working on a 3-Year strategic plan to guide TAF's activities and improve their emission reduction strategy. TAF will be completing their Greenhouse Gas and Air Emission Inventory and Analysis in 2007.

TAF's key activities include:

- Grants to community non-profit and charitable organizations, the City and its special purpose bodies.
- Financing services including loans and structured financing to municipal organizations and public institutions.
- Fundraising from external sources for TAF and City Projects.
- Special projects that promote air quality and further TAF's mandate.

TAF's mandate is to reduce CO₂ emissions, improve local air quality, promote energy efficiency, educate the public and advance new technology. It implements its mandate through community grants, mandated-related loans and financial contributions to the City. TAF assists the City in achieving its environmental goals and supporting other policy objectives through grants, loans and special projects at no cost to the City.

Income from grants, loans and investment performances from the endowment fund are used to support the City's air quality projects and renewable energy goals. The resulting data will assist in developing a City-wide emission reduction strategy. Following the new TAF strategic plan, Grant-funding priorities will be reviewed and prioritized to integrate with the strategic plan. Quantification measures will be implemented to identify and communicate the amount of emissions that are being reduced and assist in evaluating future proposals.

Service Delivery - Challenges and Issues

The challenges and issues over the next three years are reflected in the need to continue to promote and encourage:

- Global climate stabilization to expand the project base by building new and stronger partnerships with other organizations and communities in an attempt to reduce greenhouse gas emissions.
- Local air quality.
- Energy conservation and efficiency.
- Public understanding of global warming and its implications for the urban environment.
- Partnership with non-governmental organizations, other levels of government, business and

academic institutions.

- Working with other larger cities worldwide to discuss strategies and best practices in order to reduce local greenhouse gas emissions.
- Developing a community-wide emission reduction strategy upon the completion of the Greenhouse Gas and Air Emission Inventory and Analysis.

Mayor's Mandate

The 2007 Recommended Operating Budget for Toronto Atmospheric Fund supports the following priorities outlined in the Mayor's Mandate:

- *Develop a comprehensive climate change plan to cut greenhouse gas emissions to help combat global warming.*

This plan will explore ways that the City can cut emissions and encourage residents to do the same. The Toronto Atmospheric Fund will assist the City and the community with activities to reduce emissions both of greenhouse gas and smog-causing pollutants.

- *Implement the remaining components of the City's smog plan and develop a new, aggressive clean air action plan that will reduce smog-causing pollutants by 20% by 2012.*

The Toronto Atmospheric Fund supports opportunities to achieve significant and measurable emission reductions. The Toronto Atmospheric Fund also plays a lead role in developing the Toronto air emissions inventory which is a key component of the City's greenhouse gas and smog-reduction campaign. This will help in assessing the best opportunities for emission reductions city-wide.

Section C: 2007 Recommended Base Budget

Table 3: 2007 Recommended Base Budget

	2006 Appvd. Budget	2007 Recommended Base	Change 2007 Recommended Base v. 2006 Appvd. Budget		FY Incremental Outlook	
					2008	2009
(In \$000s)	\$	\$	\$	%	\$	\$
GROSS EXP.	2,295.6	1,834.7	(460.9)	(20.1)	13.0	5.0
REVENUE	2,295.6	1,834.7	(460.9)	(20.1)	13.0	5.0
NET EXP.	0.0	0.0	0.0	NA	0.0	0.0
Approved Positions	4.0	4.0	0.0	0.0		
NET TARGET		0.0			0.0	0.0
\$ Over / (Under) Program Target		0.0			0.0	0.0
% Over / (Under) Program Target		N/A			N/A	N/A

2007 Recommended Base Budget

- Toronto City Council established the Toronto Atmospheric Fund (TAF) in 1991 with an endowment of \$23 million to finance local initiatives to combat global warming and improve air quality in Toronto. TAF establishes its budget from the income generated from the investment performance of the endowment. Gross expenditures are set based on projected investment and other income.
- The 2007 Recommended Base Budget of \$1.835 million gross expenditures and \$1.835 million revenues, \$0 net, reflects a decrease of \$0.461 million or 20.1% in gross expenditures and revenues.

2007 Key Cost Drivers

- The 2007 gross expenditure decrease of \$0.461 million consists of a decrease of \$0.546 million from the Endowment Fund Contribution and an increase in administration expenses of \$0.075 million.
- The base budget includes a revenue decrease of \$0.461 million due to a decrease in projected investment performance and loans of \$0.561 million which is partially offset by \$0.100 million for contributions and grants to be raised from external sources.
- The increase in Administration Expenses of \$0.075 million or 21% over the 2006 approved budget is primarily due to the \$0.050 million increase for one contract person to assist in special project work. This also includes an increase in salary and benefits of \$0.009 million, a quantification advisor for \$0.012 million and Legal Services for \$0.005 million. The overall

breakdown includes:

- Administration Expenses – \$0.075 million increase
 - Endowment Fund Contribution – \$0.546 million decrease
 - Special Projects - \$0.020 million increase
 - Grants – \$0.010 million decrease
 - Revenues – \$0.461 million decrease
- The decrease in Grants of \$0.010 million or 1% under the 2006 approved budget includes a decrease in City Grants of \$0.077 million and an increase in Community Grants of \$0.067 million.

2008 and 2009 Outlook: Net Incremental Impact

The 2008 incremental increase includes a Cost-of-Living Adjustment (COLA) of \$0.009 million and an increase of \$0.004 million for a merit and step increase. The 2009 incremental increase includes \$0.005 million for a merit and step increase. The Outlook for 2009 does not include a provision for COLA.

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	4.0	2,295.6	2,295.6	0.0	0.0	0.0
2006 Approved Operating Budget	4.0	2,295.6	2,295.6	0.0	0.0	0.0
Prior year impacts						
Zero base items						
Economic factors		9.0	9.0	0.0	13.0	5.0
Adjusted Base Budget	4.0	2,304.6	2,304.6	0.0	13.0	5.0
Other base changes		(469.9)	(469.9)	0.0		
Base revenue changes						
Recommended Service Level Adjustments:						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	0.0	(469.9)	(469.9)	0.0	0.0	0.0
2007 Recommended Base Budget	4.0	1,834.7	1,834.7	0.0	13.0	5.0
2007 Program Operating Target	N/A	N/A	N/A	0.0	0.0	0.0
% Over (Under) Program Target				N/A	N/A	N/A
% Over (Under) 2006 Appvd. Budget				N/A	N/A	N/A