

# Analyst Briefing Notes

## Budget Committee - February 16, 2010

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February 16, 2010

**PART I: 2010 OPERATING BUDGET****Executive Summary**

- The Role of the Mayor as Head of Council is:
  - To act as Chief Executive Officer of the City
  - To preside over meetings of Council so that its business can be carried out efficiently and effectively
  - To provide leadership to Council
  - To represent the City at official functions
  - To carry out the duties of the Head of Council under the City of Toronto Act, 2006
- The Role of the Mayor as Chief Executive Officer is:
  - To uphold and promote the purposes of the City
  - To promote public involvement in the City's activities
  - To act as the representative of the City both within and outside the City, and promote the City locally, nationally and internationally
  - To participate in and foster activities that enhance the economic, social and environmental well-being of the City and its residents
- The 2010 Recommended Operating Budget for the Office of the Mayor supports the Mayor as the Head of Council and the Chief Executive Officer of the City of Toronto. The Mayor's role includes providing information and making recommendations to Council with respect to Council's role. The Mayor has a duty to ensure that City Council remains accountable and accessible to the public. In addition, the Mayor's Office has a duty to conduct the business of the City in an efficient manner. The Mayor's key strategic directions and priorities include measures to make the city liveable, prosperous and one of opportunity for all.
- Year-end results for the Mayor's Office projects that the Program will have a surplus of \$0.257 million by year-end.

**Table 1: 2010 Recommended Budget**

(In \$000s)	2009		2010 Recommended Operating Budget			Change - 2010 Recommended Operating Budget v. 2009 Appvd. Budget		FY Incremental Outlook	
	2009 Appvd. Budget	2009 Projected Actual	2010 Rec. Base	2010 Rec. New/Enhanced	2010 Rec. Budget			2011	2012
	\$	\$	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	2,599.7	2,599.7	2,560.7	0.0	2,560.7	(39.0)	(1.5)	306.3	74.8
<b>REVENUE</b>	4.0	4.0	0.0	0.0	0.0	(4.0)	(100.0)	0.0	0.0
<b>NET EXP.</b>	2,595.7	2,595.7	2,560.7	0.0	2,560.7	(35.0)	(1.3)	306.3	74.8
<b>Approved Positions</b>	23.0	23.0	23.0	0.0	23.0	0.0	0.0	0.0	0.0

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
NET BUDGET	2,560.7	2,560.7	0.0	2,529.7
PROGRAM REDUCTION (\$)	(129.8)	(207.5)	(77.7)	(129.8)
PROGRAM REDUCTION (%)	(5.0)	(8.0)	(3.0)	(5.0)

- The 2010 Recommended Operating Budget for the Mayor's Office in the amount of \$2.561 million net represents a decline of \$0.035 million or 1.3% compared to the 2009 Approved Operating Budget of \$2.596 million and meets the 2010 reduction target of \$0.130 million or 5% and \$0.078 million or 3% to offset additional 2010 budgetary pressures.
- The Outlooks project an increase of \$0.306 million in 2011 and \$0.075 million in 2012 to restore 2009 service levels. They include a cost of living allowance increase for the Mayor and exempt staff in 2011 and progression pay increases in 2011 and 2012, in accordance with employment agreements and corporate policies for non-union staff. As well, they include inflationary increases for non-payroll expenses for 2011 and 2012.
- The 2010 Recommended Base Budget provides funding for the following key cost drivers:
  - Cost of living allowance (COLA) for exempt staff and for the Mayor of \$0.026 million
  - Progression pay increments for Mayor's staff of \$0.065 million
  - Reversal of one-time gapping taken in 2009 of \$0.058 million
  - A review of 2009 actual salary costs of \$0.020 million
- The cost drivers noted above will be partially off-set by the following savings included in the 2010 Recommended Operating Budget:
  - Partial gapping of 2 Administrative Assistant 2 positions - \$0.114 million
  - Reduction in fringe benefit rate from 21% to 18.5% to reflect actual experience - \$0.053 million
  - A 1.6% general gapping rate - \$0.041 million

- Approval of the 2010 Recommended Base Budget will result in the Program's staff complement remaining at 23 positions.
- The Mayor's Office will continue the important work of building a great city and enabling Toronto to take its place on the global stage as one of the world's great cities by:
  - Implementing the Mayor's Mandate and supporting major initiatives such as Transit City, the Climate Change Action Plan, and the Agenda for Prosperity
  - Making Toronto a leader in environmental protection and promoting sustainable development
  - Advancing the City's agenda with the other orders of government that will provide Toronto with the revenue sources and legislative tools it needs to succeed
  - Engaging residents by increasing the involvement of the public in the processes and decisions of City Hall
  - Building strong, safe neighbourhoods with clean streets and beautiful parks to give every Torontonian a sense of security and pride

## Recommendations

The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2010 Recommended Operating Budget for the Mayor's Office of \$2.561 million gross and net, comprised of the following service:

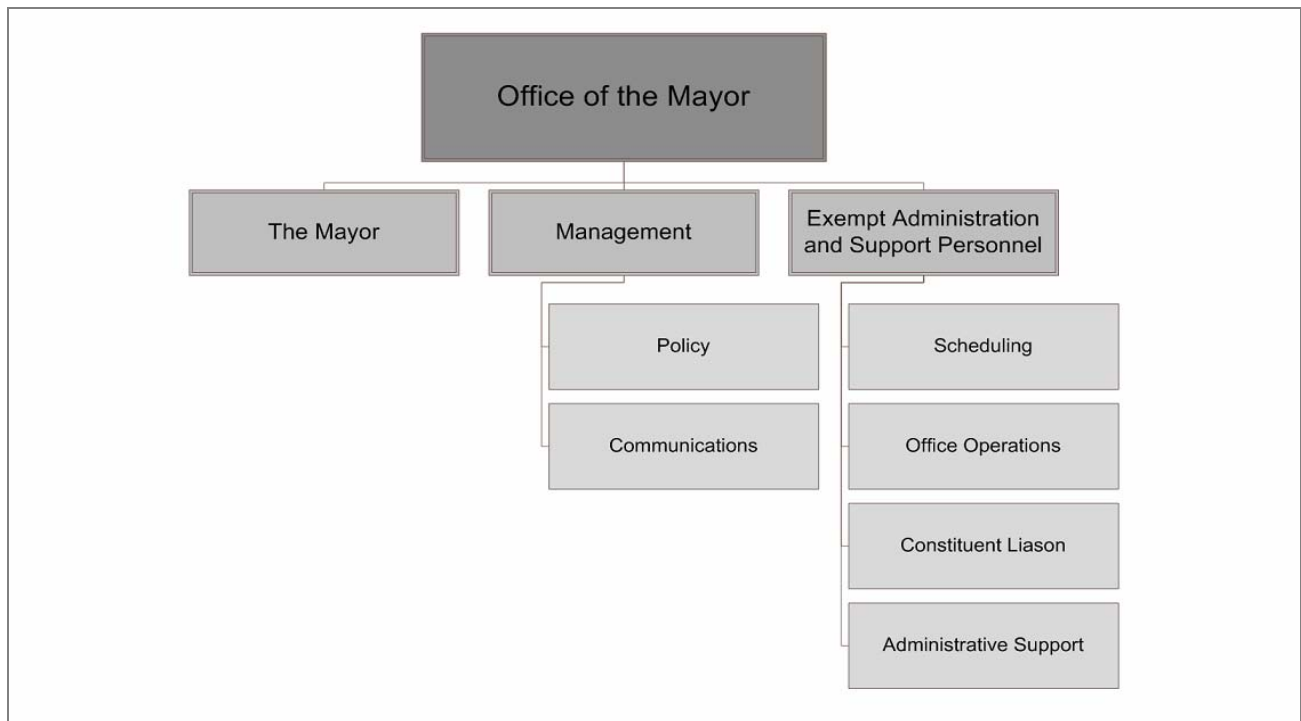
<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Mayor's Office	<u>2,560.7</u>	<u>2,560.7</u>
Total Program Budget	<u><u>2,560.7</u></u>	<u><u>2,560.7</u></u>

## PART II: 2010 SERVICE OVERVIEW AND PLAN

### Mission Statement

The Office of the Mayor leads and represents the City of Toronto in dealings with residents, elected officials, dignitaries and staff. The Mayor's Office has a duty to conduct the business of the City in ways that are transparent, honest, efficient and inclusive. It is the responsibility of the Mayor to ensure that City Council remains accountable and accessible to the public, so that Torontonians can be sure they are receiving the highest possible standard of City services.

### Program Map



*The 2010 Operating Budget will provide the resources required for the Mayor to act in his role as head of Council and Chief Executive Officer for the City of Toronto.*

### Service Objectives

The Mayor's Office will support the efficient and effective delivery of all City programs, including delivery of new initiatives. The City is the economic engine of Canada and one of the greenest and most creative cities in North America. Toronto has won numerous awards for quality, innovation, and efficiency in delivering public services. The City has created two new developmental agencies, Build Toronto and Invest Toronto, to carry out the recommendations of the Mayor's fiscal review panel and the Mayor's Economic Competitiveness Advisory Committee. These initiatives will position the City of Toronto to contribute economic strategies necessary to confront the recession.

The 2010 Recommended Operating Budget for the Mayor's Office directly addresses, through a number of initiatives, the following strategic priorities outlined in Council's policy agenda:

- Provide environmental leadership for the sustainable development and creation of a climate change plan
- Improve public transit as a best alternative to automobile use
- Strengthen financial viability of the City
- Increase safety for all communities
- Enhance creative industries and turn the public realm into beneficial people places

## PART III: 2009 EXPERIENCE

**Table 2: 2009 Budget Variance Review (\$000s)**

	2008 Actuals	2009 Approved Budget	2009 Projected Actuals*	2009 Appvd. Budget vs Projected Actuals Variance	
(In \$000s)	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	2,316.7	2,599.7	2,599.7	0.0	0.0
<b>REVENUES</b>	0.0	4.0	4.0	0.0	0.0
<b>NET EXP.</b>	2,316.7	2,595.7	2,595.7	0.0	0.0
<b>Approved Positions</b>	23.0	23.0	23.0	0.0	0.0

\*Projected Actuals Based on the September 30, 2009 Variance Report

### 2009 Budget Variance Analysis

The Third Quarter Variance report projected that the Mayor's Office will be on target to meet its 2009 Approved Operating Budget of \$2.596 million by year-end. Preliminary year-end results show that the Mayor's Office will have a surplus of \$0.257 million, due mostly to under-spending in Salaries and Benefits as a result of delays in hiring, staff vacancies and lower than expected fringe benefit rates during the year.

### Impact of 2009 Operating Variance on the 2010 Recommended Budget

There is no impact of the 2009 projected year-end favourable variance on the 2010 Recommended Operating Budget.



## PART IV: 2010 RECOMMENDED BASE BUDGET

**Table 3: 2010 Recommended Base Budget (\$000s)**

	2009 Appvd. Budget	2010 Recommended Base	Change 2010 Recommended Base v. 2009 Appvd. Budget		FY Incremental Outlook	
					2011	2012
(In \$000s)	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	2,599.7	2,560.7	(39.0)	(1.5)	306.3	74.8
<b>REVENUE</b>	4.0	0.0	(4.0)	(100.0)	0.0	0.0
<b>NET EXP.</b>	2,595.7	2,560.7	(35.0)	(1.3)	306.3	74.8
<b>Approved Positions</b>	23.0	23.0	0.0	0.0	0.0	0.0

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
<b>NET BUDGET</b>	<b>2,560.7</b>	<b>2,560.7</b>	<b>0.0</b>	<b>2,529.7</b>
<b>PROGRAM REDUCTION (\$)</b>	<b>(129.8)</b>	<b>(207.5)</b>	<b>(77.7)</b>	<b>(129.8)</b>
<b>PROGRAM REDUCTION (%)</b>	<b>(5.0)</b>	<b>(8.0)</b>	<b>(3.0)</b>	<b>(5.0)</b>

**Table 3a: Program Reduction Requirements (\$000s)**

(In \$000s)	2010 Required Reductions	2011 Required Reductions
2009 Approved Budget (September 30)	2,595.7	
<b>Pressures Reported with 2010 / 2011 Outlook</b>	<b>94.8</b>	<b>98.8</b>
Pressures Not Reported with 2010 / 2011 Outlook	77.7	207.5
<b>5% Reduction Target</b>	<b>(129.8)</b>	<b>(129.8)</b>
Additional Pressures not in 2010 Reported Outlook	(77.7)	(207.5)
<b>Program Reduction Target</b>	<b>(207.5)</b>	<b>(337.3)</b>
<b>Net Budget Target</b>	<b>2,560.7</b>	<b>2,529.7</b>

### *2010 Recommended Base Budget*

The 2010 Recommended Base Budget of \$2.561 million net represents a \$0.035 million or 1.3% decrease over the Mayor's Office's 2009 Approved Operating Budget of \$2.596 million. The 2010 Recommended Base Budget includes \$0.173 million or 6.7% in base budget increases, which have been offset by decreases of \$0.208 million or 8.0% arising from recommended Service Changes.

The 2010 Recommended Base Budget of \$2.561 million net is on target with the Mayor's Office's 2010 Operating Budget target reduction of \$0.208 million or 8.0%. This is comprised of \$0.130

million, calculated as 5% of the 2009 Approved Operating Budget and \$0.078 million or 3% as a result of pressures not identified as part of the 2010 Outlook.

Approval of the 2010 Recommended Base Budget will result in the Mayor's Office total staff complement remaining at 23 positions.

### **2010 Base Budget Key Cost Drivers**

The 2010 Recommended Base Budget provides funding for the following key cost drivers:

- Cost of living allowance (COLA) for exempt staff and for the Mayor - \$0.026 million
- Progression pay increments for Mayor's staff - \$0.065 million
- Reversal of one-time gapping taken in 2009 - \$0.058 million
- A review of 2009 actual salary costs - \$0.020 million

These pressures have been partially offset by service changes totaling \$0.208 million.

### **2010 Service Changes**

The Program's 2010 Recommended Base Budget includes service change savings of \$0.208 million that will result in an incremental increase on the 2011 Operating Budget of \$0.208 million. The 2010 recommended savings are comprised of \$0.053 million in efficiency savings and \$0.155 million savings from minor service level changes.

The recommended service changes are summarized below:

#### *Efficiency Changes*

- A reduction of the fringe benefit rate from 21% to 18.5% based on 2009 actual experience results in savings of \$0.053 million.

#### *Minor Service Level Changes*

- The partial gapping of 2 Administrative Assistant 2 Positions for 2010 results in savings of \$0.114 million.
- A one-time 1.6% general gapping rate results in a savings of \$0.041 million.

### **2011 and 2012 Outlook: Net Incremental Impact**

Approval of the 2010 Recommended Base Budget for the Mayor's Office will result in a 2011 incremental cost of \$0.306 million and 2012 incremental increase of \$0.075 million to restore 2009 service levels. Future year costs are primarily attributed to the following:

- In 2011, net expenditures will include \$0.027 million for COLA, \$0.068 million for progression pay, \$0.004 million for inflationary non-payroll increases and \$0.208 million for the reversal of one-time service change reductions taken in 2010.

- In 2012, net expenditures will increase by \$0.071 million for progression pay and \$0.004 million for non-payroll inflationary adjustments.

## PART V: 2010 RECOMMENDED SERVICE CHANGES

**Table 4: 2010 Recommended Service Change Summary**  
(In \$000s)

Description	2010 Recommended Service Changes				Net Incremental Impact	
	Position Change	Gross Exp.	Net Exp.	% Change over 2009 Budget	2011	
	#	\$	\$	#	\$	# Pos
<b>Service Efficiencies:</b> Reduction of Benefit Rate		(53.3)	(53.3)	(2.1)	53.3	
<b>Revenue Changes:</b>						
<b>Minor Service Level Changes:</b> Gapping of 2 Administrative Assistant 2 Positions		(113.6)	(113.6)	(4.4)	113.6	
General Gapping of 1.6%		(40.6)	(40.6)	(1.6)	40.6	
<b>Major Service Level Changes:</b>						
<b>Sub-Total Service Changes</b>	<b>0.0</b>	<b>(207.5)</b>	<b>(207.5)</b>	<b>(8.0)</b>	<b>207.5</b>	<b>0.0</b>
<b>Total Changes</b>	<b>0.0</b>	<b>(207.5)</b>	<b>(207.5)</b>	<b>(8.0)</b>	<b>207.5</b>	<b>0.0</b>

### 2010 Recommended Service Changes

The budgetary impact of implementing the following 3 recommended service changes is included in the 2010 Recommended Base Budget, resulting in savings of \$0.208 million in 2010. These are identified as one-time savings only causing a pressure of \$0.208 million in 2011.

#### Service Changes

The following 3 recommended service changes included in the Office of the Mayor's 2010 Recommended Base Budget, resulting in 2010 savings of \$0.208 million net are discussed below. All three reduction savings are assumed to be one-time only. As a result of the 2010 election, additional gapping will be experienced. However, budgetary requirements for 2011 cannot be determined.

#### *Service Efficiency*

- Reduction of the benefit rate from 21% to 18.5% based on 2009 experience for a savings of \$0.053 million.

***Minor Service Level Change***

- Partial gapping of 2 Administrative Assistant 2 Positions for a savings of \$0.114 million.
- A 1.6% general gapping rate to meet budget reduction target results in a savings of \$0.041 million. The general gapping rate in 2009 was 2.5%.
- These service changes have been identified as one-time only and savings will not recur in 2011. The total complement of 23 positions remains unchanged.

**PART VII: ISSUES FOR DISCUSSION****2010 Budget Issues****2010 Recommended Operating Budget vs Target**

The 2010 Recommended Operating Budget meets the 5% reduction target. This has been achieved by the partial gapping of 2 Administrative Assistant 2 positions, general gapping of 1.6% and reducing the benefit rate from 21% to 18.5%. These reductions are not sustainable into 2011, making meeting the 2011 5% reduction target even more challenging.

## Appendix A

## 2010 Recommended Base Budget Changes vs. 2009 Approved Budget

(In \$000s)	Summary of 2010 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2011	2012
		\$	\$	\$	\$	\$
<b>2009 Council Approved Operating Budget</b>	<b>23.0</b>	<b>2,603.4</b>	<b>4.0</b>	<b>2,599.4</b>	<b>0.0</b>	<b>0.0</b>
Technical Adjustments						
In-Year Budget Adjustments		(3.7)		(3.7)		
<b>2009 Approved Operating Budget</b>	<b>23.0</b>	<b>2,599.7</b>	<b>4.0</b>	<b>2,595.7</b>	<b>0.0</b>	<b>0.0</b>
Prior Year Impacts:						
Annualizations from Prior Year						
Reversals from Prior Year		58.1	(4.0)	62.1		
Operating Impacts of Capital						
Zero Base Items						
Economic Increases:						
Salary		90.9		90.9	94.7	70.6
Non Salary					4.1	4.2
<b>Adjusted Base Budget</b>	<b>23.0</b>	<b>2,748.7</b>	<b>0.0</b>	<b>2,748.7</b>	<b>98.8</b>	<b>74.8</b>
Base Expenditure Changes		19.5		19.5		
Base Revenue Changes						
<b>2010 Base Budget Prior to Service Changes</b>	<b>23.0</b>	<b>2,768.2</b>	<b>0.0</b>	<b>2,768.2</b>	<b>98.8</b>	<b>74.8</b>
Recommended Service Changes:						
Service Efficiencies		(53.3)		(53.3)	53.3	
Revenue Changes						
Minor Service Level Changes		(154.2)		(154.2)	154.2	
Major Service Level Changes						
<b>Total Recommended Base Changes</b>	<b>0.0</b>	<b>(207.5)</b>	<b>0.0</b>	<b>(207.5)</b>	<b>207.5</b>	<b>0.0</b>
<b>2010 Recommended Base Budget</b>	<b>23.0</b>	<b>2,560.7</b>	<b>0.0</b>	<b>2,560.7</b>	<b>306.3</b>	<b>74.8</b>

**Appendix B**

**Summary of Service Changes**



## Appendix D

### Program Summary by Expenditure Category in (\$000s)

<b>CLUSTER: Other City Programs</b> <b>PROGRAM: The Office of the Mayor</b>							
	2009 Approved Budget	2009 Projected Actuals	2010 Recommended Budget	Change from 2009 Approved Budget		2011 Outlook	2012 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	2,303.7	2,303.7	2,264.7	(39.0)	(1.7%)	2,567.0	2,637.7
Materials and Supplies	20.0	20.0	20.0	0.0	0.0%	20.4	20.7
Equipment	3.0	3.0	3.0	0.0	0.0%	3.0	3.1
Services & Rents	256.1	256.1	256.1	0.0	0.0%	259.7	263.4
Contributions to Capital							
Contributions to Reserve/Res Funds	4.9	4.9	4.9	0.0	0.0%	4.9	4.9
Other Expenditures							
Interdivisional Charges	12.0	12.0	12.0	0.0	0.0%	12.0	12.0
<b>TOTAL GROSS EXPENDITURES</b>	2,599.7	2,599.7	2,560.7	(39.0)	(1.5%)	2,867.0	2,941.8
Interdivisional Recoveries							
Provincial Subsidies							
Federal Subsidies							
Other Subsidies							
User Fees & Donations							
Transfers from Capital Fund							
Contribution from Reserve Funds							
Contribution from Reserve							
Sundry Revenues	4.0	4.0		(4.0)	(100.0%)	0.0	0.0
<b>TOTAL REVENUE</b>	4.0	4.0		(4.0)	(100.0%)	0.0	0.0
<b>TOTAL NET EXPENDITURES</b>	2,595.7	2,595.7	2,560.7	(35.0)	(1.3%)	2,867.0	2,941.8
<b>APPROVED POSITIONS</b>	23.0	23.0	23.0	0.0	0.0%	23.0	23.0

## Appendix E

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

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Balance as of December 2009	Proposed Withdrawals (-) / Contributions (+)		
			2010	2011	2012
		\$	\$	\$	\$
Insurance Reserve Fund	XR1010	32,534.1	4.9	4.9	4.9
<b>Total Reserve / Reserve Fund Draws / Contributions</b>			<b>4.9</b>	<b>4.9</b>	<b>4.9</b>