
2014 OPERATING BUDGET BRIEFING NOTE

2011 – 2014 Budget and Taxpayer Savings

Issue / Background:

This briefing note provides a summary and clarifies budget and taxpayer savings over the past four years from 2011 to 2014.

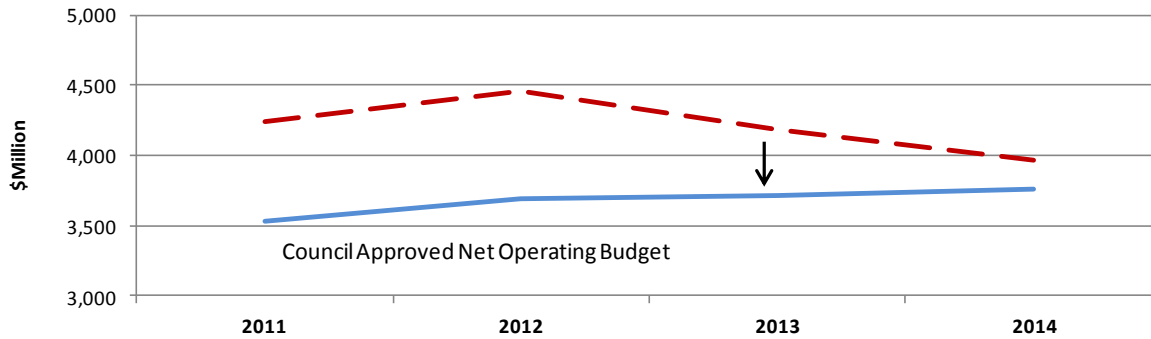
As requested by the City Manager, a breakdown of the total property tax levy savings from 2011-2014 is provided; these were incorporated in the City's operating budget and were required to balance the operating budget in order to meet Council's directions.

This briefing note will also assist Councillors in responding to inquiries from constituents.

Key Points:

- Every year the City is facing an operating pressure arising from various factors such as inflation and cost of living (COLA) increases.
- The City's operating budget faced opening budget pressures of \$706 million in 2011, \$714 million in 2012, \$465 million in 2013 and \$210 million in 2014.
- Budget guidelines and directions have been shaped to address the City's ongoing annual operating budget shortfall. The guidelines and directions for the operating budget process over the past four years included:
 - Budget reduction targets of -5% in 2011, -10% in 2012 versus the opening pressure; and
 - In 2013 and 2014, the operating budget target was 0% increase versus the prior year, which means City divisions had to reduce their budget to absorb all the opening pressures.
- In order to balance the budget and maintain tax increases below or in line with inflation, the City implemented and approved a number of initiatives in the 2011 to 2014 operating budgets totaling \$923.4 million as follows:
 - Reduced Council/ Mayor's budget (\$6.4 million);
 - Contract out garbage collection (\$11.2 million per year for 4 years);
 - Service efficiency savings and base budget reductions for 2011 - 2013 (\$753.0 million);
 - Local 416 Collective Agreement savings in employee benefits (\$89.0 million);

- Local 79 productivity/efficiency savings (\$49.2 million); and
- Increase in user fee revenues (\$30.0 million).
- Operating budget savings referred in Appendix 1 is part of the difference between the Council approved net operating budget and the opening budget pressures as illustrated below.



- The Staff Recommended 2014 Operating Budget included savings of \$147.0 million resulting from efficiencies of \$110.0 million and reduced capital financing costs of \$37.0 million. The 2014 Budget also included a \$6.0 million increase in user fees which increase the total savings, prior to other taxpayer savings, to \$972.4 million.
- Appendix 1 shows the cumulative 2011 to 2014 Operating Budget savings totals \$972.4 million.
- Appendix 2 shows the web-links to each of the major savings.
- In addition, the elimination of the Personal Vehicle Tax (PVT) in 2011 has saved the taxpayer \$50 million annually based on 2010 collections totaling \$200 million over the past four years. It should be noted that when the PVT was eliminated in 2011, the City did not have a property tax increase that year.

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**Appendix 1
2011 - 2014 Budget and Taxpayer Savings
(\$ Million)**

	Annual Budget Savings	# Years	Total
Permanent Savings			
Council Budget Reductions			
Reduced the Mayors Budget	0.8	4	3.2
Reduction of City Council	0.8	4	3.2
Total Council Budget Reductions			6.4
Contract Out Garbage Collection Savings - 4 years (Total over 7 years save \$78.4 million excluding inflation)	11.2	4	44.8
Service Efficiency Savings and Base Budget Reductions - Permanent Savings			
2011 - cost reductions	57.0	1	57.0
2012 - efficiencies (\$267) & service reductions (\$60)	327.0	1	327.0
2013 - efficiency (\$178) and reduced capital financing (\$44)	222.0	1	222.0
2014 - efficiencies (\$110) and reduced capital financing (\$37)	147.0	1	147.0
Total Service Efficiency Savings and Base Budget Reductions			753.0
Collective Agreement (savings on benefits)			
\$54M in savings from reductions in city liabilities for post-age 65 retiree benefits (L416)	13.5	4	54.0
\$35M in productivity efficiencies and productivity gains (Local 416)	8.8	4	35.0
Sub-Total			89.0
\$49.2M in savings, efficiencies and benefits liability reductions (Local 79)			49.2
Total Collective Agreement Savings			138.2
User Fees			
2012	12.0	1	12.0
2013	12.0	1	12.0
2014	6.0	1	6.0
Total User Fee Revenue Increases			30.0
Total Savings			972.4

Note: The lower salary increase component (\$89 million) is included in the Service Efficiency Savings.
The Collective Agreement savings are referencing employee benefits and productivity gains only.

Efficiencies and Permanent Cost Reductions - 2011 to 2014

(\$000s)

Tax Supported Operating Budget	2011	2012	2013	2014	Total Cost Reductions
Citizen Centred Services "A"					
Affordable Housing Office	-516	-88	0	0	-604
Children's Services	-11,971	-1,490	0	-270	-13,731
Court Services	0	-406	0	-1,656	-2,062
Economic Development & Culture	-588	-243	-300	0	-1,131
Emergency Medical Services	0	-626	0	0	-626
Long Term Care Homes & Services	0	-1,315	-47	-578	-1,941
Parks, Forestry & Recreation	-960	-2,694	-7,080	-991	-11,724
Shelter, Support & Housing Admin	-7,534	-7,314	0	-3,561	-18,410
Social Development, Finance & Admin	-363	-536	0	-701	-1,600
Toronto Employment & Social Services	-7,738	-5,204	0	0	-12,942
311 Toronto	-375	-542	0	0	-917
Sub-Total Citizen Centred Services "A"	-30,045	-20,458	-7,427	-7,757	-65,688
Citizen Centred Services "B"					
City Planning	-81	-299	0	0	-380
Fire Services	0	-86	-5,369	-2,450	-7,904
Municipal Licensing & Standards	-1,162	-2,726	0	0	-3,888
Policy, Planning, Finance & Admin	-652	-1,784	0	-252	-2,688
Engineering & Construction Services	0	0	0	0	0
Toronto Buildings	0	-265	0	-125	-390
Toronto Environment Office	-288	-554	0	0	-842
Transportation Services	-4,427	-9,140	-510	-1,585	-15,661
Waterfront Secretariat	0	0	0	0	0
Sub-Total Citizen Centred Services "B"	-6,610	-14,853	-5,879	-4,412	-31,754
Internal Services					
Office of the Chief Financial Officer	-152	-376	-162	-346	-1,036
Office of the Treasurer	-1,134	-2,630	0	-479	-4,243
Facilities Management & Real Estate	-1,046	-3,823	-701	-1,655	-7,224
Fleet Services	-1,006	-586	-391	0	-1,982
Information & Technology	-3,015	-2,308	-332	-1,771	-7,426
Sub-Total Internal Services	-6,352	-9,723	-1,585	-4,251	-21,910
City Manager					
City Manager's Office	-1,328	-814	-143	-575	-2,859
Sub-Total City Manager	-1,328	-814	-143	-575	-2,859
Other City Programs					
City Clerk's Office	-1,560	-2,322	-907	-1,430	-6,219
Legal Services	-899	-220	0	135	-985
Mayor's Office	0	0	-48	0	-48
City's Council	0	-144	-37	-262	-442
Sub-Total Other City Programs	-2,459	-2,686	-991	-1,557	-7,693
Accountability Offices					
Auditor General's Office	-172	-124	0	0	-296
Integrity Commissioner's Office	-9	-5	-5	-0	-19
Office of the Lobbyist Registrar	-47	-27	-57	-20	-151
Office of the Ombudsman	-61	-36	0	0	-97
Sub-Total Accountability Offices	-288	-192	-62	-21	-563
TOTAL - CITY OPERATIONS	-47,081	-48,726	-16,087	-18,573	-130,467
Agencies					
Toronto Public Health	-77	-1,471	0	-526	-2,075
Toronto Public Library	-1,924	-6,840	-1,371	-1,109	-11,244
Association of Community Centres	0	-131	-16	159	12
Exhibition Place	0	0	0	0	0
Heritage Toronto	0	0	0	0	0
Theatres	-43	-857	-383	-42	-1,325
Toronto Zoo	0	-171	0	-790	-961
Arena Boards of Management	0	0	0	0	0
Yonge-Dundas Square	-15	0	0	0	-15
Toronto Region Conservation Authority	-150	0	0	0	-150
Toronto Transit Commission-Conventional	0	-43,000	-31,288	0	-74,288
Toronto Transit Commission - Wheel Trans		-3,000	-1,572	0	-4,572
Toronto Police Service	-7,600	-3,579	-21,400	0	-32,579
Toronto Police Services Board	0	-309	-7	0	-316
TOTAL - AGENCIES	-9,809	-59,356	-56,037	-2,309	-127,511
Total City Programs and Agencies	-56,890	-108,082	-72,124	-20,882	-257,978
Other Reductions					
Base budget reductions - various		-29,000	-40,000		-69,000
Base Savings including Compensation and TTC				-87,074	-87,074
TTC - fringe benefits liabilities		-54,000			-54,000
Compensation reduction		-28,000	-56,000		-84,000
Debt service cost reduction due to lower interest rates		-36,000			-36,000
Operating impact of capital projects (absorbed / delayed)		-12,000		-1,883	-13,883
Service changes			-10,000		-10,000
TOTAL - OTHER REDUCTIONS	0	-159,000	-106,000	-88,957	-353,957
SUBTOTAL	-56,890	-267,082	-178,124	-109,839	-611,936
Service Reductions		-60,000			-60,000
Capital Financing			-44,000	-37,441	-81,441
TOTAL COST SAVINGS	-56,890	-327,082	-222,124	-147,280	-753,376

Note: Total City Programs and Agencies savings can be identified in the Analyst Notes in Part III - Recommended Base Budget, section - Recommended Service Changes

Appendix 2: Web-links to 2011-2014 Budget and Taxpayer Savings

March 27, 2014

Description of Savings	Supporting Information including web link	Annual Budget Savings	2011 – 2014 (\$ Million)		
			Total Annual Budget Savings	# Years	Total Savings 2011 - 2014
1 a) Reduction of Mayor's Budget	a) 2011 Office of the Mayor Operating Budget Analyst Notes - page 2 – Table "2011 Operating Budget" - gross expenditure and net expenditure reduction of \$564.8 K – see web link: http://www.toronto.ca/budget2011/2011_budget_summary/pdf/operating/mayors_office.pdf	0.7			
	b) 2012 Office of the Mayor Operating Budget Analyst Notes - page 3 - table "2012 Operating Budget" - additional gross expenditure and net expenditure reduction of \$102.8 K – see web link: http://www.toronto.ca/budget2012/2012_budget_summary/pdf/operating/op12_mayor.pdf	0.1			
b) Reduction of City Council Budget	2011 City Council Operating Budget Analyst Notes - page 2 - table "2011 Operating Budget" shows a gross expenditure and net expenditure reduction of 754\$ K – see web link: http://www.toronto.ca/budget2011/2011_budget_summary/pdf/operating/council.pdf	0.8	1.6	4.0	6.4
2) Garbage collection savings over 7 years save \$78.4 million excluding inflation	Staff Report – "Contract Award RFQ 6033-11-3186 – Curbside Collection District 2", Date October 17, 2011, City Council, section Financial Savings – page 3 – Cost Reductions – see web link: http://www.toronto.ca/legdocs/mmis/2011/cc/bqrd/backgroundfile-41762.pdf		11.2	4.0	44.8
3) Annual Operating Budget Efficiencies - Permanent Savings a) 2011 - cost reductions	2011 Operating Budget Summary – page 3, Table 2 "2011 Balancing Strategies" – Cost Reduction – see web link: http://www.toronto.ca/budget2011/2011_budget_summary/pdf/cbo/2011operatingsummary.pdf		57.0	1.0	57.0

\$ Million	Supporting Information including web link	Annual Budget Savings	2011 - 2014		
			Total Annual Budget Savings	# Years	Total Savings 2011 - 2014
b) 2012 - efficiencies (\$267) & service reductions (\$60)	2012 Operating Budget Summary – page 3, Table 2 "2012 Balancing Strategies" – Cost Reductions – see web link: http://www.toronto.ca/budget2012/2012_budget_summary/pdf/operating_summary.pdf		327.0	1.0	327.0
c) 2013 – efficiencies (\$178) and reduced capital financing (\$44)	2013 Operating Budget Summary – page 3, Table 2 "2013 Operating Budget Pressures" – Cost Reductions – see web link: http://www.toronto.ca/budget2013/2013_budget_summary/pdf/operating_summary.pdf		222.0	1.0	222.0
d) 2014 – efficiencies (\$118) and reduced capital financing (\$37)	2014 Operating Budget Summary - Page 10, 2014 Operating Budget Strategies – see web link http://www.toronto.ca/legdocs/mmis/2014/ex/bgrd/backgroundfile-66230.pdf		147.0	1.0	147.0
5 a) Collective Agreement (savings over 4 years) \$54M in savings from reductions in city liabilities for post-age 65 retiree benefits	Staff Report – "Results of Collective Bargaining Negotiations with TCEU Local 416 – Summary of the memorandum for Settlement, Part A" – page 5, Conclusion section references – a) "productivity efficiencies /savings for the City of \$35 million – see web link: http://www.toronto.ca/legdocs/mmis/2012/cc/bgrd/backgroundfile-45259.pdf	13.5			
b) \$35M in productivity efficiencies in productivity gains	b) plus post-retirement benefits liability changes results in the elimination in future liabilities of \$54 million" – totals \$89 million - same web link and paragraph as in 5a) above repeated below: http://www.toronto.ca/legdocs/mmis/2012/cc/bgrd/backgroundfile-45259.pdf	8.8	22.3	4.0	89.0
c) \$49.2M in productivity efficiencies/savings (Local 79)	http://www.toronto.ca/legdocs/mmis/2012/cc/bgrd/backgroundfile-46307.pdf				49.2
6) Increase in User Fees					
a) 2012	2012 Operating Budget Summary – page 27, Table 5 total incremental fee increase excluding Transit: http://www.toronto.ca/budget2012/2012_budget_summary/pdf/operating_summary.pdf		12.0		
b) 2013	2013 Operating Budget Summary – page13, Table 4 " Sub-total 2013 Total Revenue excluding Transit: http://www.toronto.ca/budget2013/2013_budget_summary/pdf/operating_summary.pdf		12.0		
c) 2014	2014 Operating Budget Summary - 2014 Operating Budget Summary – page 25 "Actions to Strengthen Fiscal Health" http://www.toronto.ca/legdocs/mmis/2014/ex/bgrd/backgroundfile-66230.pdf		6.0		30.0
Total Savings					972.4
Elimination of the Personal Vehicle Tax	Personal Vehicle Tax – Repeal of Tax and Termination of Collection Agreement - page 2 – section "Estimate of Budget to Budget Impact of September 1, 2011 Termination of PVT": approximately \$50K - see web link: http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-34156.pdf		50.0	4.0	200.0