

CITY OF TORONTO

Cost Containment Measures

October 1, 2007



Agenda

1. Reasons for Cost Containment Measures
2. Guiding Principles
3. Instructions to Staff
4. Cost Containment Savings
5. 2007 Projected Operating Surplus
6. Fixing the Structural Deficit

Why Are 2007 Cost Containment Measures Required

- The City of Toronto has a fiscal deficit problem:
 - Does not have the diverse sources of revenues to fund City services
 - Continues to be forced to divert money needed for municipal services to pay for mandated programs
 - Has depleted reserve funds and exhausted one-time revenue sources to pay for ongoing operating cost of delivering core municipal services
- Purpose of the Cost Containment Measures is to generate a 2007 surplus to mitigate 2008 Budget Pressure

Why Are 2007 Cost Containment Measures Required (Contd.)

- In July, the CFO requested Council's approval for a Land Transfer Tax and Personal Vehicle Registration Fee:
 - Would generate \$356 million in 2008
 - Council deferred consideration of the new revenue tools to October, 2007
 - Deferral will reduce the estimated 2008 new revenues by between \$80 and \$100 million
- New revenues essential to partially address 2008 Budget Pressure estimated at \$575 million

What Principles Guided the 2007 Cost Containment Measures

- Service standards and/or service levels were to be adjusted to achieve targets
- Service level adjustments were not to affect the most vulnerable, where possible
- New or enhanced services approved by Council would be deferred
- Full elimination of major programs or services would not be recommended
- Capital projects will proceed only if they do not affect operating budget reduction targets

Cost Containment Measures – Instructions and Guidelines to City Divisions, Agencies, Boards and Commissions

1. Hiring freeze within all areas of the corporation with the following exceptions:
 - a. legislated requirements for staffing ratios
 - b. health and safety requirements; or
 - c. 100% funding for the position from other orders of government or external agencies
2. Service level adjustments to save operating budget dollars by reducing service levels but not eliminating entire services

Cost Containment Measures – Instructions and Guidelines to City Divisions, Agencies, Boards and Commissions (Contd.)

1. Elimination of discretionary spending, including, but not limited to, business travel, conferences, consulting contracts, purchases of equipments, furniture, supplies, etc.
2. Cancellation of all advertising and production of print materials with significant circulation unless critically required for delivery of services
3. Deferral of any 2007 new or enhanced services and any capital projects where contracts have not yet been awarded for service improvement and growth capital projects that will have 2008 operating budget impacts

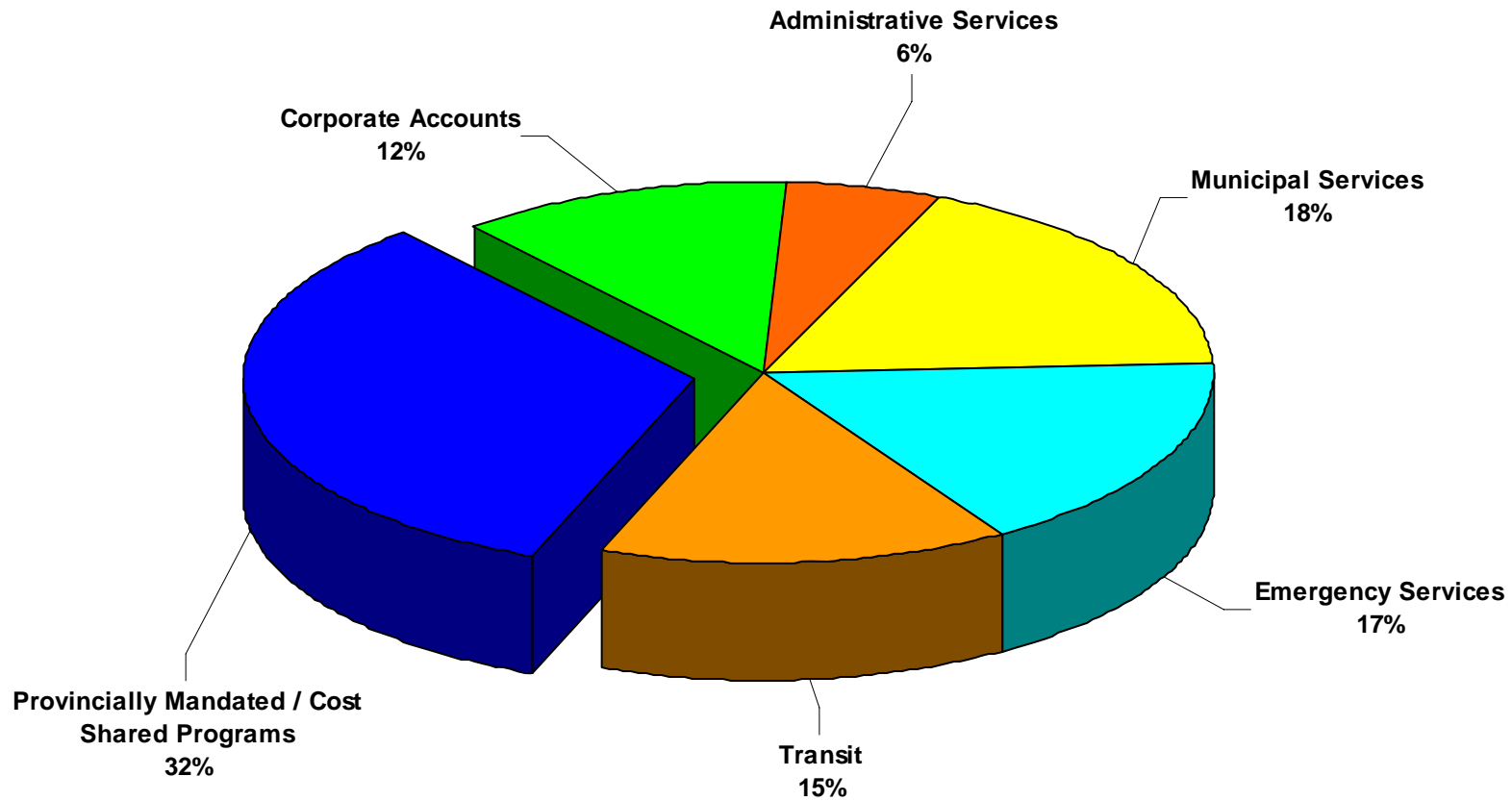
2007 Cost Containment Savings

| Program | 2007 Approved Budget | 2007 Approved Positions | Vacancies | | | Expenditure Reduction | | | | |
|---|----------------------------|-------------------------------|-----------------|-----------------|---------------|-----------------------------|--------------------------|---------------------------------|---------------------------|---------------|
| | | | Total Vacant | To be Filled | To be Held | Hiring Freeze Savings | Discretionary Savings | Service Level Adjustments | Total Cost Containment | % of Total |
| Provincially Mandated / Cost Shared Programs | 727,728.2 | 8,155.5 | 200.0 | 90.8 | 109.2 | (1,706.1) | (2,764.6) | (507.4) | (4,978.1) | 11.7% |
| Municipal Services | 823,108.7 | 12,474.1 | 355.0 | 180.0 | 175.0 | (1,263.0) | (8,840.5) | (5,852.9) | (15,956.4) | 37.4% |
| Emergency Services (excl. Police) | 397,674.0 | 4,400.2 | 17.0 | 16.0 | 1.0 | (20.0) | (4,343.1) | (691.5) | (5,054.6) | 11.8% |
| Administrative Services | 149,875.0 | 3,581.0 | 180.0 | 81.0 | 99.0 | (4,831.5) | (2,187.3) | (712.8) | (7,731.6) | 18.1% |
| Total - Excluding TTC and Police | 2,098,385.9 | 28,610.8 | 752.0 | 367.8 | 384.2 | (7,820.6) | (18,135.5) | (7,764.6) | (33,720.7) | 78.9% |
| TTC and Toronto Police Services | 1,122,274.1 | 19,112.0 | 0.0 | 0.0 | 0.0 | 0.0 | (9,000.0) | 0.0 | (9,000.0) | 21.1% |
| Total Cost Containment Savings | 3,220,660.0 | 47,722.8 | 752.0 | 367.8 | 384.2 | (7,820.6) | (27,135.5) | (7,764.6) | (42,720.7) | 100.0% |
| % of Total | | | | | | 18.3% | 63.5% | 18.2% | 100.0% | |

2007 Cost Containment Measures will Generate \$43 Million Savings

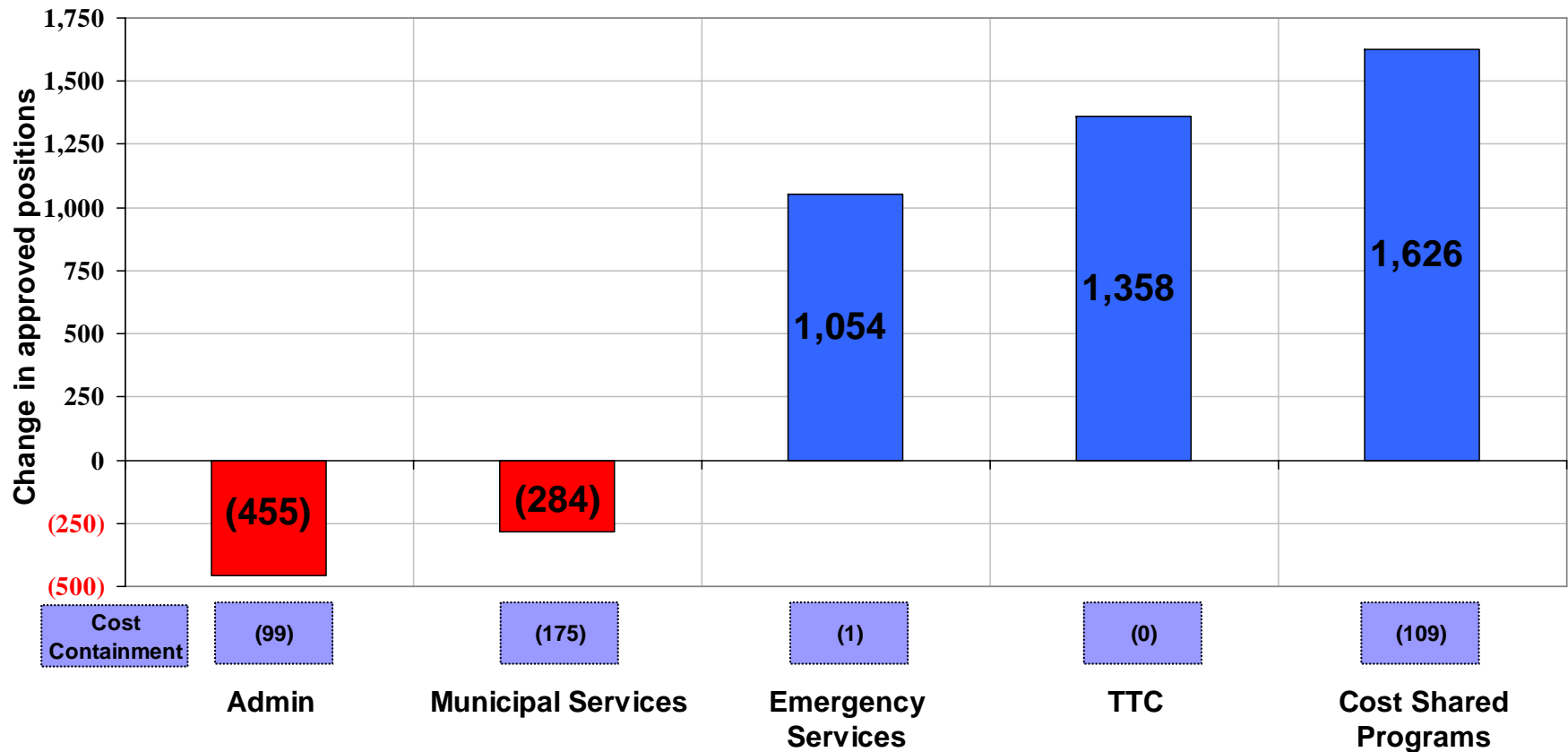
- 2007 Cost Containment Measures will generate \$42.721 million savings and will freeze 384.2 vacant positions:
 - Hiring Freeze will provide savings of \$7.820 million or 18%
 - Discretionary expenditure savings - \$27.135 million or 64%, and
 - Service level adjustment - \$7.765 million or 18%

32% of the 2007 Gross Operating Budget of \$7.8 Billion Allocated to Provincially Mandated Programs



Staffing Growth Highest in Cost Shared Programs

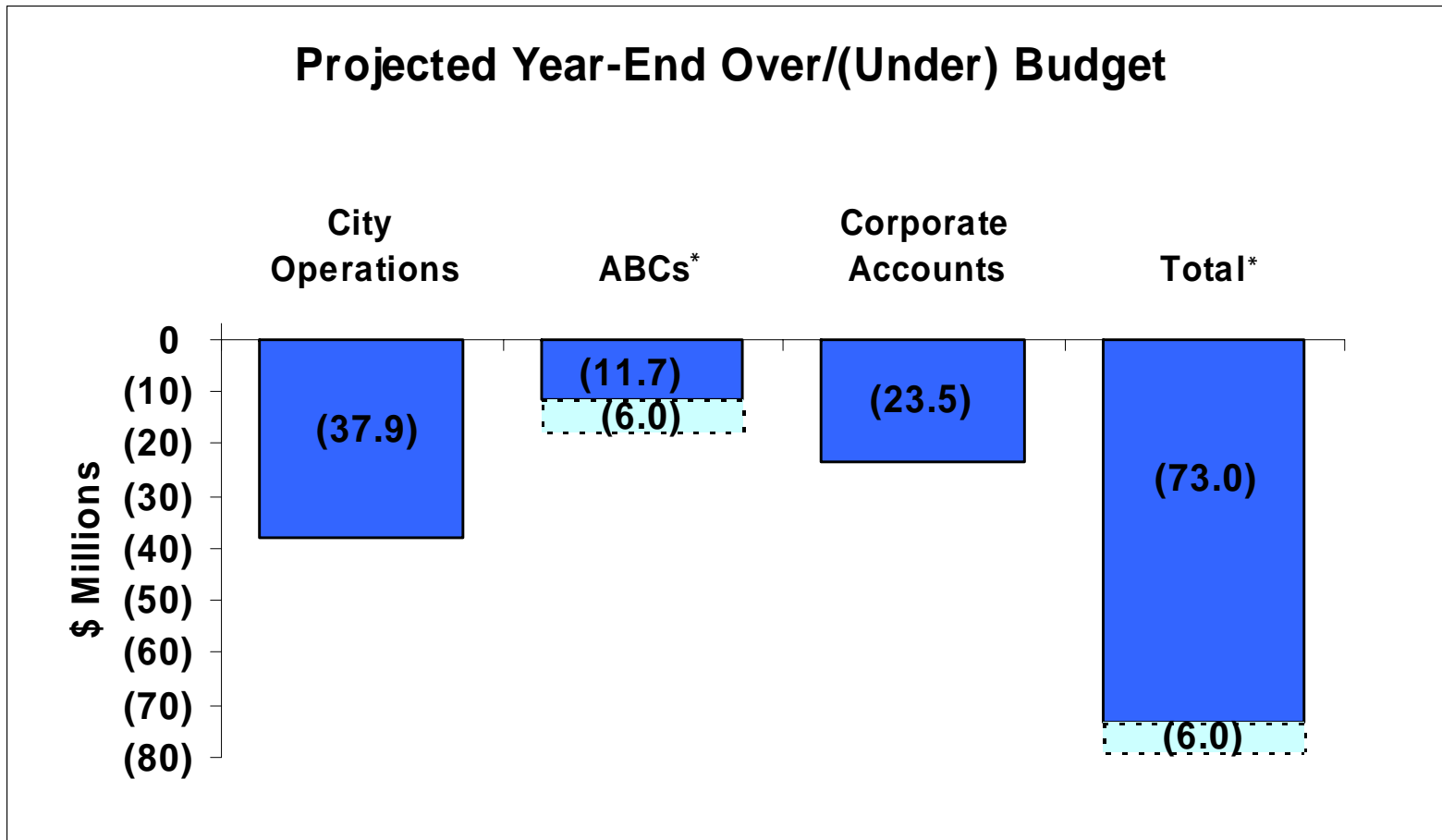
Net Change in Approved Positions by Program Type
1998 through 2006 (Net Increase of 3,299 Positions)



2007 Operating Variance Report – Projected Surplus of \$73 Million

| | Net Variances (\$ millions) | |
|----------------------------------|-----------------------------|------------------------------------|
| | June 2007 Over/(Under) | Projected Y/E 2007 Over/(Under) |
| Citizen Centred Services "A" | (6.1) | (12.8) |
| Citizen Centred Services "B" | (6.4) | (16.3) |
| Internal Services | (3.4) | (6.3) |
| City Manager | 0.1 | (0.5) |
| Other City Programs | 0.4 | (2.1) |
| Council Appointed Programs | (0.0) | (0.0) |
| Total - City Operations | (15.4) | (37.9) |
| Agencies, Boards and Commissions | 5.9 | (11.7) |
| Corporate Accounts | 3.3 | (23.5) |
| Sub-Total | 9.2 | (35.1) |
| Total Variance | (6.3) | (73.0) |

2007 Operating Variance Report – Projected Surplus of \$73 Million



*TTC rate increase will result in additional 2007 Surplus of an estimated \$5 - \$6 million

2008 Budget Forecast

| | |
|------------------------------|------------|
| Budget Pressure Estimate | 575 |
| TTC - Remaining Pressure | 40 |
| Total Budget Pressure | 615 |

Cost Containment / Revenue:

| | |
|--|------------|
| Prior Year Surplus including 2007 Cost Containment | (79) |
| 2008 Annualized Cost Containment Target | (85) |
| Province - Social Service Upload | (38) |
| Net Reductions | (202) |
| Pressure after Net Reductions | 413 |
| Increase Provincial Upload - Social Service, Transit Operating | ? |
| New Taxation Measures | ? |
| Further Continuous Improvement / Service Reductions | ? |
| Property Tax Increase | ? |

Fixing the Structural Deficit

City has a plan to address its \$1.1 billion fiscal imbalance

Long-Term, Sustainable Strategies

2008 - 2011

- Continuous improvement and cost control
- Upload Social Services programs
- Provincial Transit operating funding (50%)
- New Taxation Measures
- National Transit Strategy (capital)
- Growth revenues – Share of GST, Sales Taxes

