



INFORMATION REPORT

TO: Chair and Members Audit, Finance & Administration Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: December 7, 2011	
SUBJECT/REPORT NO: 2012 Tax Budget - Chronically Under Funded Programs (City Wide) (FCS11105) (Outstanding Business List Item)	
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SIGNATURE:	

Council Direction:

At the January 14th, 2010, Audit, Finance & Administration Committee meeting, staff were asked to report back with a strategy to deal with areas which are chronically under funded. This item is currently on the Audit, Finance and Administration Committee outstanding business list.

Information:

During the departmental budget presentations, staff normally identify items impacting their requested budget. Certain items seem to come up each year as being identified as a budget pressure within a program. This prompted Council to request staff to try and identify items that are recurring pressures, or chronically under funded. Further, staff were asked to develop a strategy to deal with these items.

There is no general practice for defining a chronically under funded program. Many components of a budget have cost pressures, year to year, which generally align with inflation (e.g., salary and wages). This would not be considered chronically under funded as these cost pressures can generally be accommodated during the process of setting the annual budget. Other items may have cost pressures exceeding general inflation, year to year, but are accommodated in the budget and do not have historical under funding issues (e.g., energy).

For the purpose of our forthcoming analysis, chronically under funded programs will be generally defined as those areas which have had a significant unfavourable year-end variance for three or more consecutive years and require a budget increase of over \$75,000 for 2012.

Historically, there have been relatively few items which can be described as chronically under funded. However, the implications can be significant to the tax levy. For example, the first few years after amalgamation saw a period of under funding for the winter control program in excess of \$5 million. This was addressed through a strategy of identifying a 5 year average cost, phasing in the annual increase required for 3-4 years and enhancing the winter control reserve through year end surpluses.

This example is typical of how chronically under funded program pressures are stabilized. However, depending on the cause of the under funding, changes to service delivery, increased external funding and rationalizations can also be incorporated.

This issue will be added to the 2012 Tax Budget Additional Information list. Staff will report back to identify chronically under funded programs which departments may have in their areas and comment on a strategy to address the issue. The departmental budget presentations will incorporate this information.