

APPENDIX A: KEY ISSUES/RISKS FACING THE CITY OF TORONTO

Issue/Risk	Actions taken in 2008	Actions Planned for 2009 & Beyond
<p>City has a higher cost structure than other municipalities in GTA</p>	<ul style="list-style-type: none"> • Continuous improvement initiatives and programs continued, to ensure appropriate use of resources • City Council continued to adopt strict budget increase guidelines for City divisions and ABCs • Cost containment measures remained in place • Completed 13 Program Reviews in 2006 and 2007. In 2008, three additional reviews were completed and one was initiated: <ul style="list-style-type: none"> > Accounting Services (Completed) > Inspections, Enforcement & Prosecution (Completed) > Office of Emergency Management (Completed) > City Planning (Ongoing) • Continued to develop the new Financial Planning, Analysis and Reporting system, approved by Council in 2007 for implementation (of Interim Plan) in 2010 for the 2011 budget process. The new system sets the foundation for multi-year performance/service-oriented operating budgets. The system will: <ul style="list-style-type: none"> > track and report performance measures and service level indicators; > alignment of complement management and complement planning processes; > assess cost performance efficiency; > enable better alignment of the City's limited resources to Council priorities; > provide flexibility to incorporate and track long-term service planning initiatives; > establish the framework to balance service levels and priorities with affordability. • Municipal Land Transfer Tax (MLTT) and Personal Vehicle Tax (PVT) implemented February 1 and September 1 respectively, representing revenues of \$165 million and \$15 million respectively in 2008 	<ul style="list-style-type: none"> • Maintain continuous improvement initiatives including efficiency reviews, and enhanced performance measures and benchmarking • Continue to implement Program Reviews • Continue to develop and implement the new Financial Planning, Analysis and Reporting system to improve budget analysis and program rationalization • Apply aggressive budget targets for 2010 and 2011 • Internal Audit and Auditor General continue to conduct audit reviews with a view to maintain and improve internal controls and identify opportunities for further efficiencies • Identify additional benchmarking opportunities

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<p>Demands for growth as laid out in Official Plan or other Sectoral and Program plans are not adequately funded</p>	<ul style="list-style-type: none"> • Funding of \$452 million received from MoveOntario2020 for transit development • Move Ontario Trust was established in March 2006 for the purpose of holding, investing and disbursing funds to the Toronto York Spadina Subway Expansion project. A total investment of \$870 million from the provincial government plus \$75 million from the federal government has increased to approximately \$1 billion at the end of 2008. These funds are not included in the City's Financial Statements as they are held in a separate Trust Fund. • Lobbied for permanent Federal Gas Tax funding, achieved with 2008 Federal Budget 	<ul style="list-style-type: none"> • Continue to seek revenues that grow with the economy, such as 1 cent of the GST • Continue to estimate the costs related to growth plans • Continue to urge the Federal Government to: <ul style="list-style-type: none"> > establish a permanent, federally funded National Transit Strategy > deliver a national action plan on housing and homelessness – National Housing Strategy > share the equivalent value of 1 cent of the GST with municipal governments
<p>There is variability in certain program expenditures from year to year, some of which are vulnerable to economic downturns and interest rate fluctuations</p>	<ul style="list-style-type: none"> • During 2008 the Provincial Municipal Fiscal and Service Delivery Review (PMFSDR) was completed, resulting in an implementation plan by the province to continue to upload certain social costs (Ontario Disability Support Program, Ontario Works and Court Security costs), by 2018 	<ul style="list-style-type: none"> • Continue to work with the Province to operationalize the upload and refine the relationship regarding social and related services • Closely monitor key economic indicators and market conditions to identify trends and forecast impacts on expenditures and revenues
<p>Business property taxes are not competitive with the surrounding urban area (905 area code)</p>	<ul style="list-style-type: none"> • The City has continued the implementation of “Enhancing Toronto’s Business Climate – It’s Everybody’s Business”, adopted by City Council in October 2005 – a 15 year plan to reduce municipal property taxes for businesses and multi-residential properties by approximately 20% for smaller businesses. 2008 was the third year of implementation. In 2008, the City accelerated implementation reducing the time frames by approximately two to three years (by 2013 for smaller business & by 2017 for all other business properties). Education taxes for these properties are also expected to decrease by approximately 20% from 2007 to 2014. • Initiated plan to provide tax increment equivalent grants to targeted sectors to encourage new business to locate in Toronto (e.g. Woodbine Live! Filmport approved in 2008) • Lower water rates for industrial and manufacturing sectors implemented in 2008 	<ul style="list-style-type: none"> • Continue to implement the business climate tax strategy

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The City lacks adequate revenue sources to fund its municipal responsibilities	<ul style="list-style-type: none"> • Implementation of MLTT and PVT in 2008 • Continued the one cent GST campaign • Implemented a user fee for solid waste collection so that solid waste management services are now paid for through a user pay system and billed jointly with water on the City's utility bill. 	<ul style="list-style-type: none"> • Continue to pursue stable senior government funding and access to sources of revenue that grow with the economy • Update the Long Term Fiscal Plan in 2009/2010 • Continue to work with the Province to secure long term permanent funding solutions, such as permanent funding to cover a portion of TTC operating.
Improper funding of Provincial cost-shared programs has resulted in significant financial pressures to the City	<ul style="list-style-type: none"> • As noted previously, the PMFSDR was completed in 2008 resulting in an upload of certain social services through 2018 	<ul style="list-style-type: none"> • Continue to lobby for the Province to honour its cost sharing formulae • Continue to highlight costs and requirements in areas of joint responsibility, such as social housing and transit
City's investment in ageing infrastructure has been lagging	<ul style="list-style-type: none"> • The City continued to plan for capital on a 10 year basis • Continued to invest funds in State of Good Repair Reserve Fund 	<ul style="list-style-type: none"> • Approval of firm 10-year Capital Plan • Continue to increase direct operating budget contribution to capital program to offset a portion of debt requirements • Complete the Capital Asset Accounting Project • Further enhance asset management planning • Continue to seek funding for transit projects from provincial and federal governments.
Employee benefits and other long-term liabilities are not adequately funded	<ul style="list-style-type: none"> • The City completed reviews of each element of employee benefits • The City amended the non-union sick leave plan, capping the long-term liability, converting it to a plan that provides for sick leave, without additional components • Council approved a long term plan to start to reduce the level of unfunded employee benefit liabilities 	<ul style="list-style-type: none"> • Further implementation of approved strategies to reduce employee benefit liabilities • Further implementation of cost containment and employee education strategies consistent with recommendations made by the Mayor's Fiscal Review Panel and the Auditor General's Office