

Appendix B: Key Issues/Risks Facing the City of Toronto

Issues / Risk	Actions Taken in 2013	Actions planned for 2014 and beyond
<p>The City continues to be challenged by growing demand for services and lack of a fully diversified, predictable and sustainable set of revenue sources. Additionally, City has a higher cost structure than other municipalities in the Greater Toronto Area (GTA).</p>	<ul style="list-style-type: none"> • City Council continued to adopt strict budget guidelines for City divisions, agencies and corporations: 0% reduction target set; achieved a 0.7% increase in net expenditures for 2013 Approved Operating Budget. • The City, in approving the 2013 Operating Budget, reduced the use of one-time funding sources by more than 66% cutting it from \$141 million in 2012 to \$47 million in 2013. • Negotiated collective agreements / union contracts with TCEU Local 416 (Toronto Parking Authority) and CUPE Local 1600 for four years on favourable terms. Cost of living increases are below inflation in the first two years. Additionally, the City is expected to achieve efficiencies, savings and liability reductions of approximately \$150 million over 2012 to 2015 through negotiated changes to workplace practices and benefits. Increased management flexibility as a result of the new agreements will also provide improvements and further cost reductions. • Continued to develop the new service-based, multi-year Financial Planning, Analysis and Reporting system, approved by Council in 2007 with Phase 1 implementation starting in May 2013 for the Public Budget Formulation (PBF) system, Report Analytics, and Complement Planning and Management components. Accounting, payroll and human resources 	<ul style="list-style-type: none"> • Continue strict budget targets for 2014 and future years. • Continue to implement strategies to eliminate reliance on prior year, one-time revenues to balance the operating budget. • Continue with the Service Efficiency Studies with staff reviewing efficiency study recommendations for the 2014 budget process, including possible outsourcing, streamlining of business processes, re-engineering and automation in order to highlight possible savings for 2014 and 2015. • Maintain continuous improvement initiatives including enhanced performance measures and benchmarking. • Continue to develop and implement the new Financial Planning, Analysis and Reporting system to improve budget analysis and program rationalization. • 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. • Continue to benchmark operations with other Ontario municipalities. • Continue to investigate and evaluate possible merger of the City's five Pre-

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	<p>components went live in November 2013.</p> <ul style="list-style-type: none"> • Continued to benchmark operations with other Ontario municipalities. • A multi-year approach was planned to address the operating pressure and capital funding gap. • A Service Review Program, comprised of the three components listed below, was implemented in 2011 to identify what services the City should deliver, how they can be more efficient and cost effective, and how the City should pay for them: <ul style="list-style-type: none"> ○ Core Service Review (completed in 2011) identified what services the City should be delivering. It sets the foundation for the City's services going forward and assists with moving towards a multi-year financial planning and budgeting process. ○ User Fee Review (completed in 2011) examined how City's services are paid for. It provides guidelines on how user fee prices are set with the objective of full cost recovery. ○ Service Efficiency Studies (which commenced in 2011 and continue into future years) look at how certain services are delivered to identify new, more efficient and cost-effective ways to deliver services. • In 2011, the City completed eight (8) Service Efficiency Studies with savings being realized in 2012 through to 2014 (Facilities Management; Fleet Services; Shelter, Support & Housing Administration; Real Estate Services; Solid Waste Management Services; Toronto Public Library; TTC; Transportation Services). 	<p>OMERS pension plans with OMERS – dependent on the Province filing required regulations.</p> <ul style="list-style-type: none"> • Implement a corporate Common Management Framework by 2018 to systematically measure and continuously improve, among other things, planning and financial management. • Develop and implement a best-in-class performance measurement and indicators system by end of 2015. • Implement shared services between the City and its agencies for common corporate functions to improve service delivery and customer service, and / or achieve cost savings by the end of 2018.

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	<ul style="list-style-type: none"> • During 2012 and into 2013, a number of other Service Efficiency Studies were completed with savings expected for 2013 and future years [311; Children's Services; City Planning; Communications; Counter Services; Court Services; Emergency Medical Services; Environment and Energy; Fire Services; Long Term Care Homes (LTCH); Museum Services; Parks, Forestry and Recreation (PRF); Shared Services]. • The 2013 Operating Budget includes savings from the implementation of LTCH, Facilities Management, Real Estate, PFR, Transportation Services, Fleet Services and Library. • Other continuous improvement, program reviews and cost containment initiatives also continued, to ensure appropriate and efficient use of resources. 	
<p>Demands for growth as laid out in the City's Official Plan or other Sectoral and Program plans are not adequately funded</p>	<ul style="list-style-type: none"> • Put a non-debt capital funding plan in place to fund additional 10-year capital needs of \$534 million for transit needs and \$671 million for the ongoing rehabilitation work on the Gardner Expressway, road resurfacing and reconstruction and key capital work projects to address transit congestion. Non-debt strategies to fund the additional capital needs included use of operating budget surpluses, increases in Development Charge revenues, sale of assets, and dividends from City agencies and corporations. • Approved a fiscally responsible 10 year Capital Budget and Plan (2013 – 2022) , placing priority 	<ul style="list-style-type: none"> • Continue to refine cost estimates related to growth plans. • Continue to work with the Province and Metrolinx to plan new transit lines. • Update Development Charges By-law to reflect updated growth figures and capital spending plans. • Continue to direct funding to the infrastructure backlog. • Continue to adopt sectoral plans which will require funding – such as Parks Plan, Community Arts action Plan, Workforce development Strategy.

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	<p>on projects that protect the health and safety of citizens, meet legislative requirements, and maintain the City's infrastructure in a state of good repair, while maintaining debt service costs at approximately 12% of the property tax levy (which is below the 15% guideline approved by Council). Province, Metrolinx and the City began to jointly plan for new transit lines with the Province contributing \$8.4 billion towards the plan. Metrolinx is responsible for delivering the, Eglinton Scarborough Crosstown, Finch West and Sheppard Ave East Light Rail Transit (LRT) projects, and the Province/Metrolinx have agreed to contribute to the City's Scarborough RT replacement (subway) project</p> <ul style="list-style-type: none"> • Commissioned a Special Task Force comprised of the TTC Chair, the TTC Chief Executive Office, the TTC Chief Financial and Administration Officer, the City Manager and the City's Chief Financial Officer, to seek and secure funding for “unfunded TTC Capital Projects” and a restoration of operating funding from the Province. 	<ul style="list-style-type: none"> • Develop a funding strategy to support the waterfront revitalization and any sectoral plans adopted by City Council. • Commence special 30-year property tax levy for the Scarborough Subway Extension Project in 2014 with a three-year phase-in period. • Develop and implement a corporate-wide strategic asset management plan by end of 2015. • Develop and implement an integrated city-wide approach to finance the city's growth ensuring alignment with City's Official Plan and Long Term Fiscal Plan.
<p>There is a variability in certain program expenditures from year to year, some of which are vulnerable to economic down turns and interest rate fluctuations</p>	<ul style="list-style-type: none"> • Continued to work with the Province on a Toronto-Ontario partnership agreement on permanent, sustainable transit operating funding. • Continued to monitor and take action on other risks impacting the City with potential financial impacts: <ul style="list-style-type: none"> ○ Climate change adaptation and environmental risks management. 	<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: Ontario Works (OW) benefit costs began in 2010 & will be completed by 2018; OW Cost of Administration started in 2010. • Through the Social Service upload, the

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	<ul style="list-style-type: none"> ○ Interest rate changes on Social Housing costs, investment returns and debt charges. ○ Affordable housing alternatives and the end of federal subsidies. • Continued to work with OMERS on urging the Province to file the required regulations under the Pension Benefits Act governing pension plan mergers. 	<p>Province has re-established the principle that income support programs should not be funded from the property tax base. As such, the City will continue its discussion with the Province regarding its funding responsibilities for Social Housing.</p> <ul style="list-style-type: none"> • Continue to work with the Province on the agreed upload of court security costs by 2018. • Continue to negotiate with the Province on permanent, sustainable transit operating funding (50% of transit operating costs) and the need for additional capital funds. • Implement the new Community Homelessness Prevention Initiative (CHPI). • Closely monitor key economic indicators and market conditions to identify trends and forecast impacts on expenditures and revenues, and continue to develop funding strategies to mitigate financial risks. • Continue to request the Province to file the required regulations under the Pension Benefits Act for plan mergers.
Business property taxes are not competitive with the surrounding urban area (905 area code)	<ul style="list-style-type: none"> • The City has continued the implementation of “Enhancing Toronto’s Business Climate” initiative, adopted by City Council in October 2005 – a plan to reduce the ratio for property tax rates for businesses (i.e. commercial and industrial and multi-residential properties) to 2.5 times the residential tax rate by 2020 (a 15 year plan); and further, to provide for an accelerated 	<ul style="list-style-type: none"> • Council approved a modest property tax increase for residents and businesses in January 2014. • Continue the implementation of the "Enhancing Toronto's Business Climate" initiative. Council is on track to meet its targets of 2015 and 2020.

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	<p>reduction in tax rates for smaller businesses, with a target of 2.5 times the residential rate by 2015 (a 10 year plan). The estimated benefit to businesses over the 15-year period is approximately \$250 million.</p> <ul style="list-style-type: none"> • Council approved a modest property tax increase for residents and businesses for 2013. 	
The City lacks adequate revenue sources to fund its municipal responsibilities	<ul style="list-style-type: none"> • Funding for capital projects from other orders of government has been secured over the years – e.g. Share of federal and provincial gas taxes (\$300 million per year); Transit Plan (\$9 billion); Economic Stimulus Project funding (\$460 million 2009 to 2011); one-time transit funding between 2006 and 2009 has ranged from \$58 to \$360 million per year; funding for the construction of sports facilities for the 2015 Panam/Parapan Am Games (\$1 billion). • Municipal Land Transfer Tax (MLTT) continued in 2013 attracting a record level of revenue (\$361 million). • Commissioned a Special Task Force comprised of the TTC Chair, the TTC Chief Executive Officer, the TTC Chief Financial and Administration Officer, the City Manager and the City's Chief Financial Officer, to seek and secure funding for “unfunded TTC Capital Projects” and a restoration of operating funding from the Province. 	<ul style="list-style-type: none"> • Update the Long Term Fiscal Plan by 2014/2015 with an emphasis on identifying viable solutions to the major issues impacting the City's finances. • Continue to work with the Provincial and Federal governments to secure long term permanent funding solutions for such items as social housing and transit. • Continue to budget cautiously for MLTT to avoid negative budget impacts and contribute to any surplus to fund the capital shortfall.

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Improper funding of Provincial cost-shared programs has resulted in significant financial pressures to the City	<ul style="list-style-type: none"> Province continued honouring its cost sharing formulae for Ontario Works. City of Toronto and Toronto Community Housing launched "Close the Housing Gap Campaign", a two-year campaign to urge Federal and Provincial governments to help maintain traditional social housing funding and contribute an equal 1/3 share for Toronto Community Housing's \$2.6 Billion ten year capital needs. 	<ul style="list-style-type: none"> Province to continue honoring its cost sharing formulae for Ontario Works and Court Security. Continue to highlight costs and requirements in areas of joint City / Provincial responsibility, such as social housing and transit and childcare.
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 set aside funds in the Capital Financing Reserve and other Capital Replacement Reserve Funds. Put a non-debt capital funding plan in place to fund additional \$534 million TTC shortfall and \$671 million Transportation shortfall, from operating budget surpluses, increases in Development Charge revenues, sale of assets and dividends from City agencies and corporations. Commissioned a Special Task Force comprised of the TTC Chair, the TTC CEO, the TTC CFAO, the City Manager and the City CFO, to seek and secure funding for "unfunded TTC Capital Projects" and a restoration of operating funding from the Province. 	<ul style="list-style-type: none"> Continue to develop firm 10-year Capital Plans with an emphasis on the state of good repair activities. Complete transition to a multi-year, service-based operating budget and plan. Continue to increase direct operating budget contribution to capital program to offset a portion of debt requirements. Continue in the implementation of the new non-debt capital funding strategy to fund additional TTC and Transportation Capital shortfall identified in the ten year (2013 to 2022) Capital Plan. Further enhance asset management planning. Continue to seek funding for transit projects from provincial and federal governments.

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Employee benefits and other long-term liabilities are not adequately funded	<ul style="list-style-type: none"> • The City updated the actuarial reviews of its employee benefit plans. • The City has continued its objective of implementing cost containment changes to benefit plans, including the retiree plans that have helped reduce the post-retirement liabilities. • In 2012, a new 5 year contract with the City's Benefit Carrier resulted in significantly reduced administrative fees for health and dental benefits. • In 2012 and 2013 changes to the retiree benefit plans, including limits to para-medicals, dispensing fee cap, one year lag for dental fee guide, limitation for physiotherapy, limitation for orthotic shoes. • In 2013, there was the elimination of the post-65 lifetime retiree benefit plan for former Toronto and North York Fire fighters, and replaced with a 10 year Health Care Spending Account. • The sick bank payout for new Fire fighters hired after June 26, 2013 was reduced from 100% of the available sick credits to 50%, to a maximum of 6 months' salary. • Due to benefit cost decreases in 2013 the contribution to the employee benefits reserve was increased to \$22 million in 2013 (from \$.367 million in 2012). 	<ul style="list-style-type: none"> • Implementation of approved strategies to reduce the funding gap between employee benefits reserve and the liabilities: <ul style="list-style-type: none"> ○ First stage: to require City's agencies and corporations to contribute annual funding to the Sick Leave Reserve Fund to match budgeted withdrawals (pay as you go); and, ○ Second stage: to revise the annual benefit charges to Divisions and applicable City's agencies and corporations to reflect additional funding requirements for retired employees, employees on long-term disability, workplace safety (pre-amalgamation) and sick leave gratuity payouts. This is scheduled for implementation in advance of the 2016 budget.