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

Issues / Risk	Actions Taken with Impacts in 2014	Actions planned for 2015 and beyond
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).	• City Council continued to adopt strict budget guidelines for City divisions, agencies and corporations: achieved a 1.1% increase in net expenditures for 2014 Approved Operating Budget. • The City, in approving the 2014 Operating Budget, reduced the use of one-time funding sources by more than 45% cutting it from $47 million in 2013 to $26 million in 2014. • 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 2013 for use by City Divisions and Agencies to submit their budget requests. During 2014, the service planning functionality in PBF was completed as well the refinement of budget reports for use in the 2015 Budget process. • Continued to benchmark operations with other Ontario municipalities. • The 2014 Operating Budget included efficiency savings of $21 million realized from Shelter, Support & Housing Administration, Court Services, Fire Services, Facilities Management & Real Estate, Transportation Services, Information & Technology, City Clerk's Office and Toronto Public Library. • During 2014, the Deputy City Manager & Chief Financial Officer reported back to City Council on opportunities to accelerate the implementation of shared services. Completed opportunities included: enhanced use of the City's Internal Audit Division by agencies not having their own internal audit resources; expansion of the City's lessor service to Toronto Transit Commission and Toronto Parking Authority; Establishment of a Fleet	• Continue strict budget targets for 2015 and future years. • 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-OMERS pension plans with OMERS – dependent on the Province filing required regulations. • 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. • Continue to 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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	Services Centre of Excellence; Establishment of an Internal Audit Centre of Excellence; Establishment of a Real Estate Centre of Excellence. • Other continuous improvement, program reviews and cost containment initiatives also continued, to ensure appropriate and efficient use of resources.	
Demands for growth as laid out in the City's Official Plan or other Sectoral and Program plans are not adequately funded	• Province, Metrolinx and the City continued 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. • As part of recent changes in the Development Charges By-law, 2014 represents the first year of a two-year (2014 –2016) phase-in of the Council-adopted development charge rate increases. As a result of updated rates and development forecasts, development charge funding provided for in the 2014 – 2023 Capital Plan reduced debt requirements over the 10 year planning period by $1.047 billion of which $395 million is resulting from the new Development Charge By-law.	• Continue to refine cost estimates related to growth plans. • Continue to work with the Province and Metrolinx to plan new transit lines. • Amend the 2013 Development Charges By-law to include growth-related share of the Scarborough Subway Extension project costs. • Seek legislative changes to the Provincial Development Charges Act review that would enhance development charges recovery of growth-related costs. • Prepared an Area-specific Development Charges By-law to help fund the growth-related flood protection costs for the Port Lands. • Continue to direct funding to the infrastructure backlog. • Develop a funding strategy to support the waterfront revitalization and any sectoral plans adopted by City Council. • Continue special 30-year property tax levy for the Scarborough Subway Extension Project with a three-year phase-in period that started in 2014. • 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.
There is a variability in certain program expenditures from year to year, some of which are vulnerable to	• Continued to work with the Province on a Toronto-Ontario partnership agreement on permanent, sustainable transit operating	• Continue to work with the Province to operationalize the upload and refine the relationship regarding social and related

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economic down turns and interest rate fluctuations	funding. • Continued to monitor and take action on other risks impacting the City with potential financial impacts: o Climate change adaptation and environmental risks management. o Interest rate changes on Social Housing costs, investment returns and debt charges. o 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.	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 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. • 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)	• 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 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.	• Council approved a modest property tax increase for residents and businesses in March 2015. • 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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	• Council approved a modest property tax increase for residents and businesses for 2014.	
The City lacks adequate revenue sources to fund its municipal responsibilities	• 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); funding for the construction of sports facilities for the 2015 Panam/Parapan Am Games ($1 billion). • Municipal Land Transfer Tax (MLTT) continued to attract a record level of revenue in 2014 ($450 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.	• Update the Long Term Fiscal Plan by Fall 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. • Revisit revenue tools allowed in the City of Toronto Act and discuss other revenue tools with the Province.
Improper funding of Provincial cost-shared programs and reduced funding for Social Housing has resulted in significant financial pressures to the City	• 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 anticipated $2.6 Billion in capital repair needs over ten years. In addition, through the campaign, the City is urging equity on rent subsidies, as private landlords currently receive higher rent subsidies than Toronto Community Housing. • Social services programs engaging provincial counterparts regarding existing funding formulas to urge removal of funding caps and to provide funding for inflation and other	• Province to continue honoring its cost sharing formulae for Ontario Works and Court Security. • Continue to highlight costs and funding requirements in areas of joint City / Provincial responsibility, such as social housing, long-term care, shelters and child care. • Continue to implement additional mortgage refinancing of Toronto Community Housing mortgages to free up equity for State-of-Good-Repair capital. • Advocate for a fairer and larger allocation of the Federal/Provincial Investment in Affordable Housing funding. • Seek Council approval of a "Made-in-Toronto" child care funding model that will direct Provincial and City of Toronto funding in a more effective and targeted manner.

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	program cost increases.	
City's investment in ageing infrastructure has been lagging	• The City continued to plan for capital on a 10 year basis. • Continued to implement a non-debt capital funding plan to fund an additional $2.1 billion in TTC/Transportation capital project priorities from operating budget surpluses, increases in Development Charge revenues, sale of assets and dividends from City agencies and corporations. • Continued to set aside funds in the Capital Financing Reserve and other Capital Replacement Reserve Funds. • Continued to grow Capital-from-Current funding by 10% annually. • 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.	• 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 non-debt capital funding strategy to fund additional TTC and Transportation Capital shortfalls identified in the ten year (2014 to 2023) Capital Plan. • Continue to grow Capital-from-Current funding by 10% annually. • Further enhance asset management planning. • Continue to seek funding for transit projects from provincial and federal governments. • Continue advocacy campaigns to restore provincial and federal funding for social housing and the development of a National Housing Strategy. • Revisit revenue tools allowed in the City of Toronto Act and discuss other revenue tools with the Province.
Employee benefits and other long-term liabilities are not adequately funded	• 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,	• Implementation of approved strategies to reduce the funding gap between employee benefits reserve and the liabilities: o 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, o 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

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	dispensing fee cap, one year lag for dental fee guide, limitation for physiotherapy, limitation for orthotic shoes. • In 2013, the post-65 lifetime retiree benefit plan for former Toronto and North York Fire fighters was eliminated 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. • Funding contributions were made to employee benefits reserve funds from the 2011-2014 operating budget surpluses.	disability, workplace safety (pre-amalgamation) and sick leave gratuity payouts. This is scheduled for implementation in advance of the 2017 budget. • Continue to negotiate labour agreements that contain overall employee benefits costs in the short- and long-term.