

Budget Committee Orientation



December 18, 2014

Agenda

- Financial Planning & Management Framework Overview
- 2015 Budget Process
- Role of Budget Committee
- Road to Fiscal Sustainability
- 2014 Operating Budget & 2015 Outlook
- 2014 – 2023 Capital Budget and Plan
- Appendix
 - Details of Financial Planning & Management Framework



Financial Planning and Management Framework Overview



Financial Planning and Management Framework

- The City's financial planning and management framework consists 5 key components:
 - Capital and Operating budget planning, preparation and submissions
 - Budget review and approvals
 - In-year financial control and budget adjustments
 - Financial monitoring and variance reporting
 - Year-end financial performance and disposition of year-end surplus or deficit (actual net expenditures less than or in excess of the budgeted City funding).



Financial Planning and Management Framework

- **Legislation** – City of Toronto Act, 2006; Financial Control By-law
- **Governance** – City Council; Executive Committee; Budget Committee
- **Delegated Authority** – Given to City Manager and Management Team – Excludes approval of budget
- **Accountability** – Financial approvals, in-year budget changes and financial impact protocols; financial performance reporting (variance reporting); and internal control mechanisms, audited financial statements



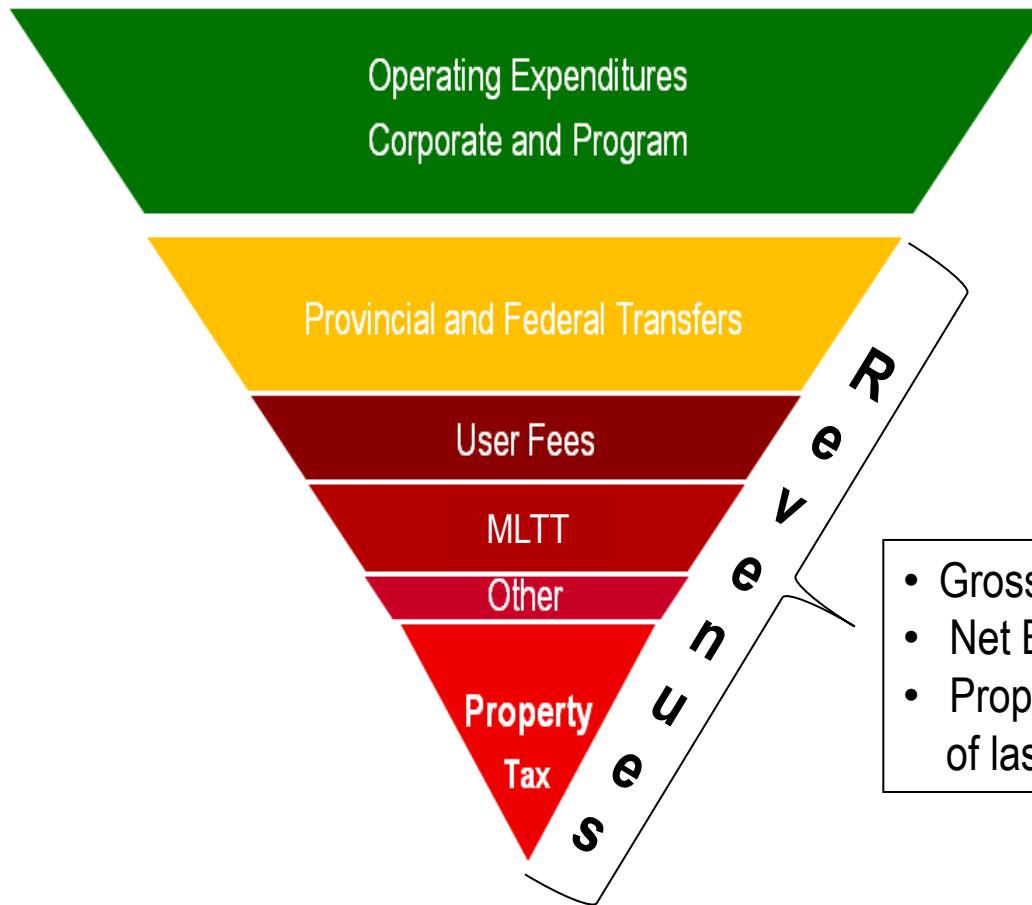
Operating and Capital Budget Planning and Approvals

As per the *City of Toronto Act, 2006* (COTA), the City:

- Must adopt a budget annually and cannot delegate that authority
 - Budget can be multi-year (2 to 5 years) but must be confirmed on an annual basis;
 - Prepare the budget on a cash basis;
 - City adopts a 1 year operating budget & 2 year outlook, and 10 year capital budget and plan
- Must approve a balanced budget: operating expenditures must equal revenues;
- Cannot borrow funds (issue debt) to balance the operating budget but can borrow funds (issue debt) to finance capital expenditures; and
- Must repay debt through the operating budget that includes both principal and interest costs.



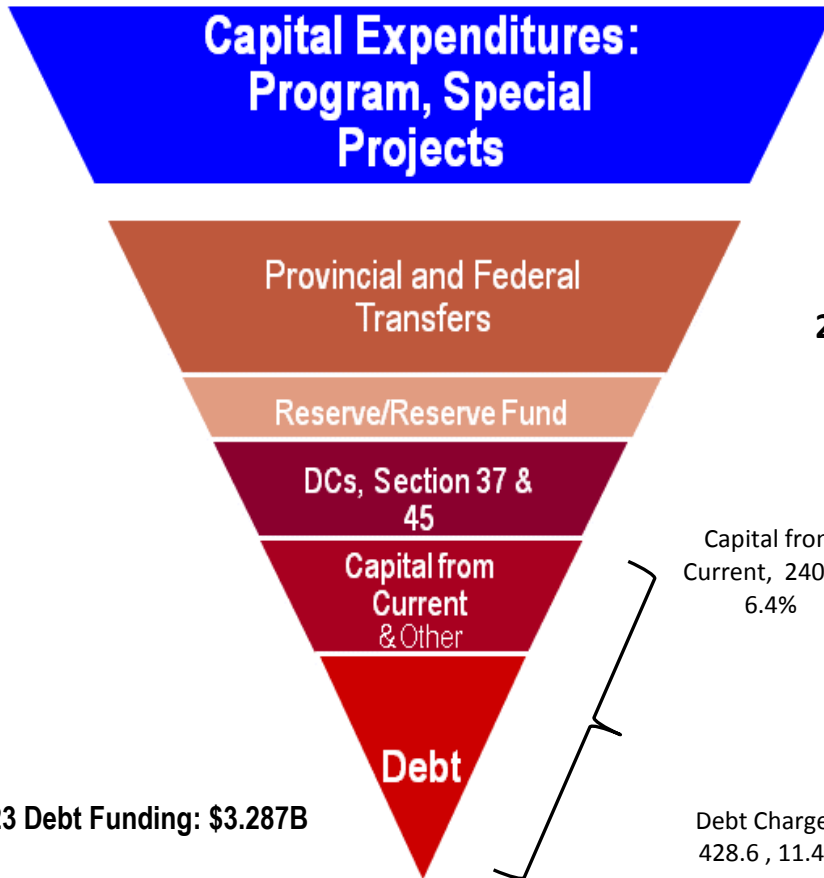
How The Tax Supported Operating Expenditures Are Funded



- Gross Budget = Total Expenditures
- Net Budget = Property Tax Funding
- Property Tax Funding is the funding of last resort

\$1 Gross Expenditure \neq \$1 Property Tax

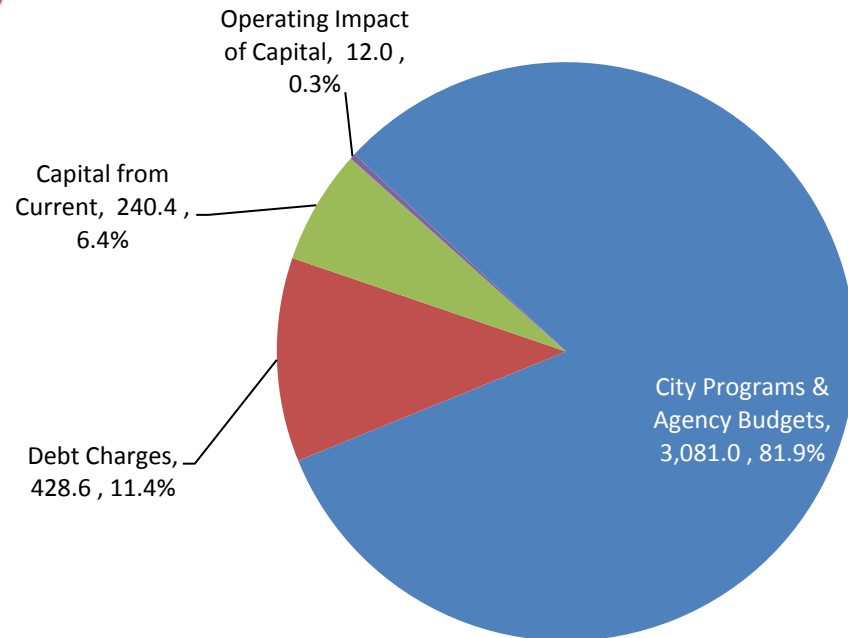
How Capital Expenditures Are Funded



2014-2023 Gross Expenditures: \$28.667B
(including Rate Programs)

2014-2023 Debt Funding: \$3.287B

2014 Council Approved \$3.762B Net Operating Budget



Key Budget Policies - Capital

Debt Financing – Debt should be used to fund capital expenditures where no other funding source is available.

- As a general rule, projects funded with debt must have a useful life that is at least equal to the term of the debenture.

Debt Service Ratio:

- Debt service costs shall not exceed 15% of the tax levy.
- Budgeted debt service charges incurred due to debt issuance will be included in the annual operating budget.

Capital From Current (CFC) Funding should be used to finance capital projects that are of a major maintenance nature and will be completed in one year.



Key Budget Policies - Capital

Carry-Forward Funding:

- City Programs and Agencies are allowed to carry-forward unspent funds for capital projects / sub-projects for a period of one year subsequent to the year of original approval
- Carry-forward funding requests for projects approved in the previous fiscal year will not form part of the budget year debt affordability targets
- Council approval to carry forward the unspent amount must be obtained in order to establish spending authority
- Carry-forward of unspent funds that were approved more than one year prior will be treated as new and will form part of the budget year debt affordability targets



Key Budget Policies - Operating

- **User Fees and Charges** – Generally imposed to recover the full cost of City services when they provide a direct or special benefit to an individual or an identifiable group or business
- User fees are set to recover the full cost of providing the services, except where:
 - Full cost recovery **conflicts with a City’s policy objective** on community access to services, promotion of specified goals or regulatory practices
 - **Cost of collecting specific user fees is not efficient** or constitute a significant portion of the user fee revenue for the service
- User fees are reviewed and adjusted annually as part of the budget development process
- Annual inflationary user fee increases are automatic, effective Jan 1 each year



Key Budget Policies – Operating

Surplus Management Policy

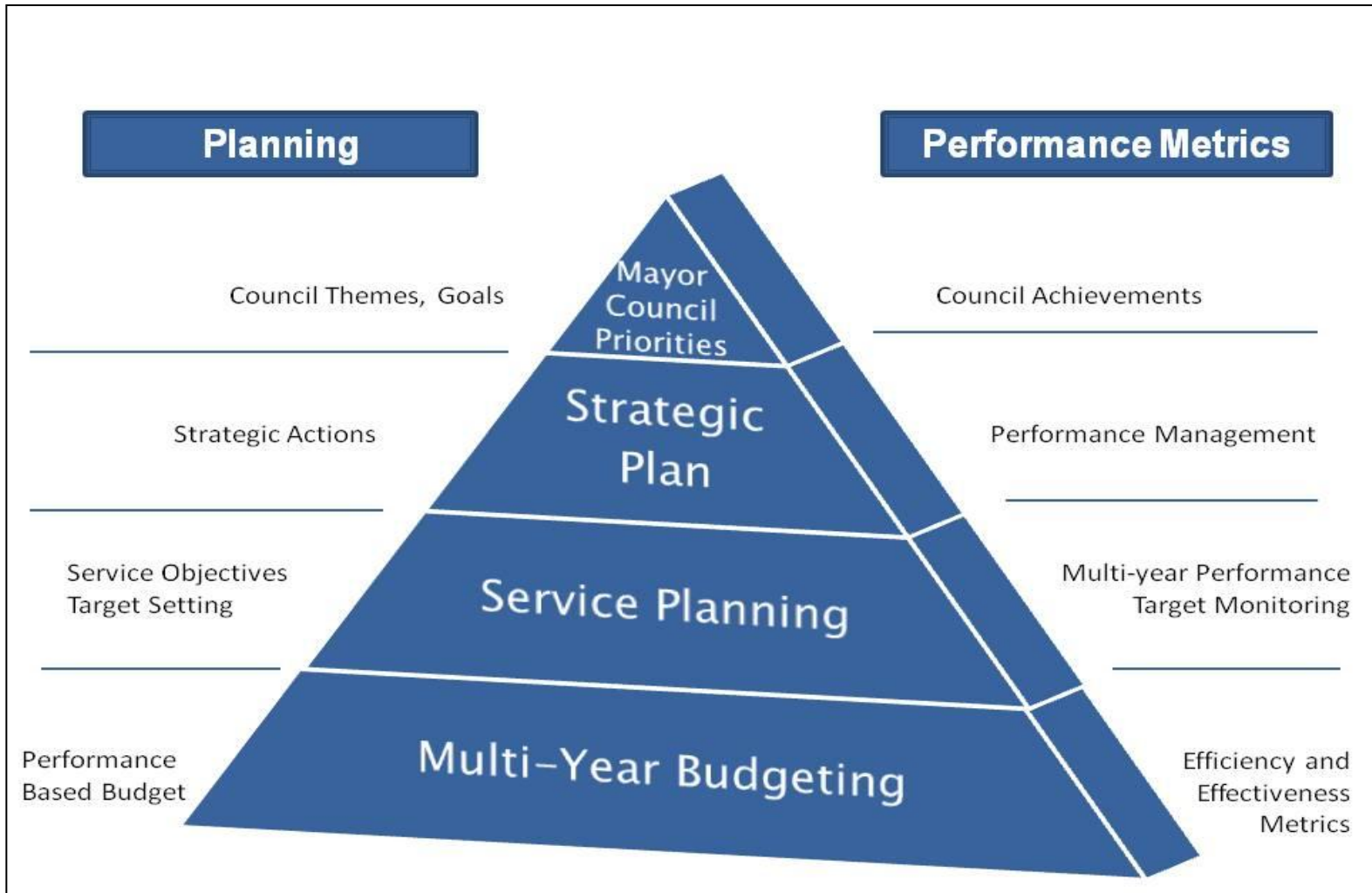
- Any Operating Surplus realized by the City at year-end will be disposed of in accordance with Council's Surplus Management Policy, in the following priority order:
 - Transferred to the Capital Financing Reserve Fund (at least 75% of the surplus); and,
 - Fund any under-funded liabilities, and/or reserves/reserve funds at the discretion of the Deputy City Manager & Chief Financial Officer.



2015 Budget Process



Integrated Planning & Performance Framework

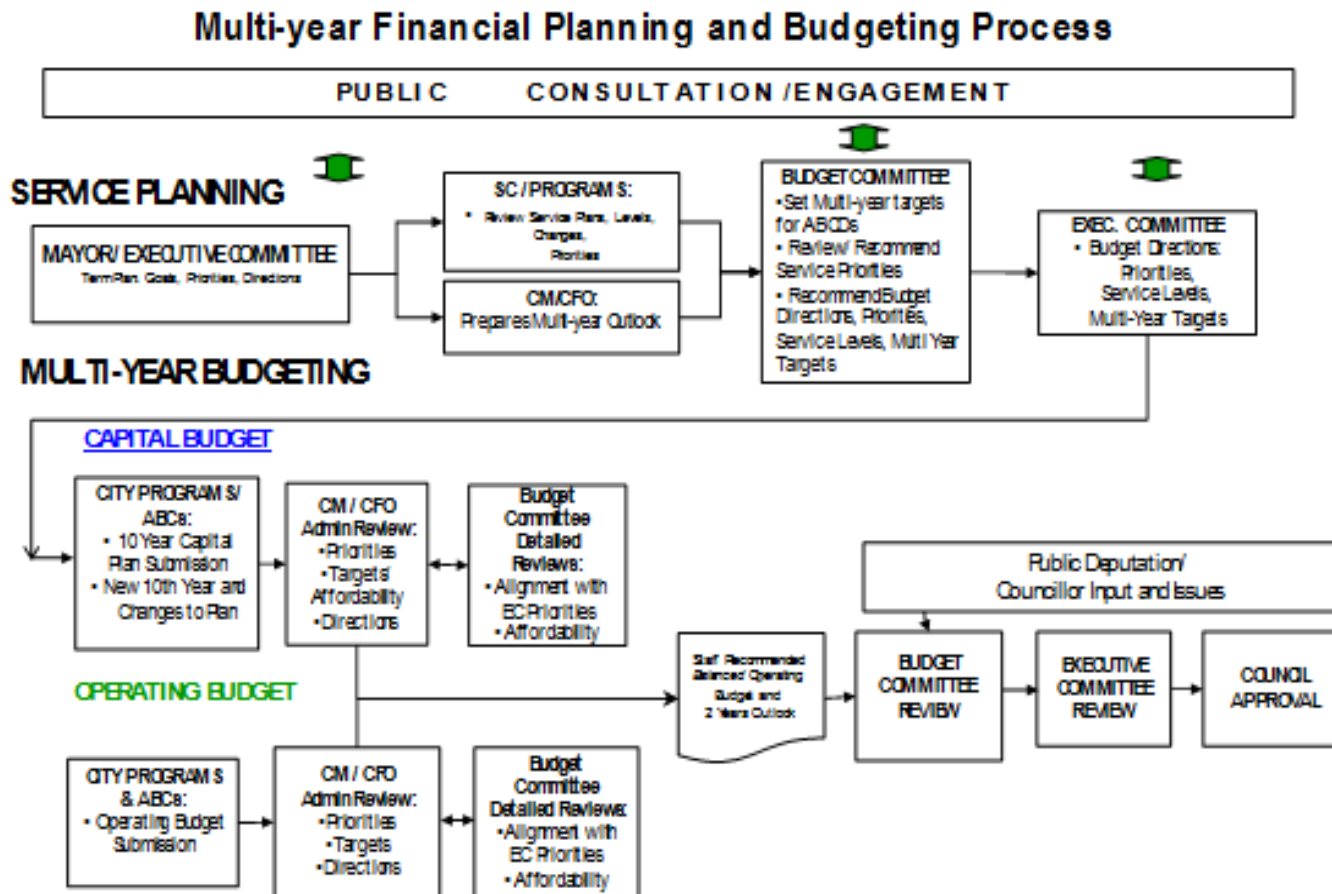


Integrated Planning and Performance Framework

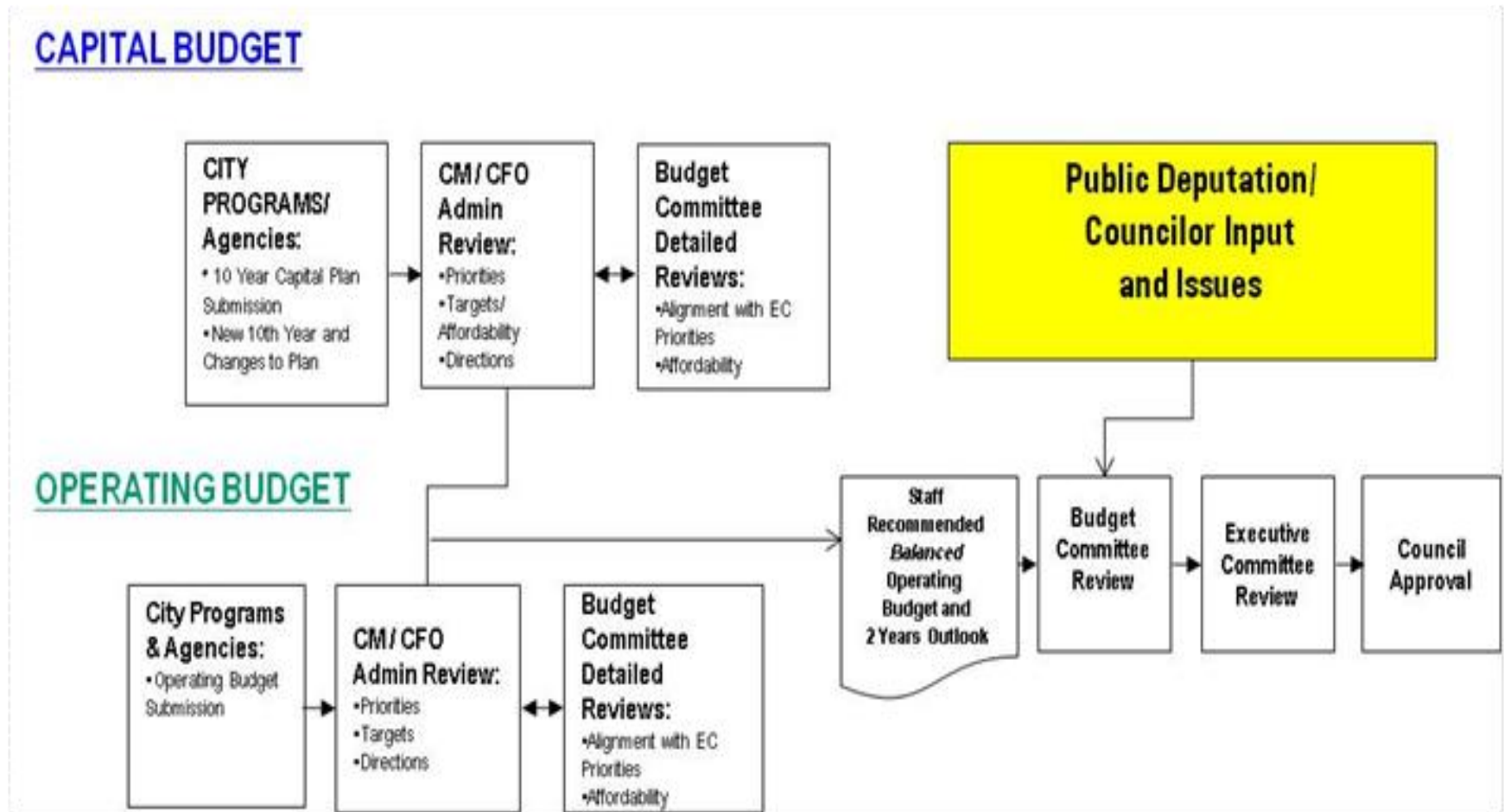
- Integrated Planning and Performance Framework enables the City to:
 - Take a multi-year view to guide service planning, budgeting and the allocation of resources;
 - Set performance measures and targets to meet the goals and directions set by Council;
 - Provide increased transparency and accountability regarding the services it delivers to the public;
 - Ensure resources are efficiently allocated to services to achieve long-term strategic outcomes;
 - Monitor results and impact of services



Multi-year Financial Planning and Budgeting Process



City's Current Budget Process



Supporting Public Engagement

- New 2014 Budget website
- Open House / Budget Drop in Sessions
- Whiteboard animation video
- Budget Basic Sheets
- Budget at a Glance
- Info graphics
- Updated Analyst Notes
- Councillor Townhalls

<http://www.toronto.ca/budget2014>

Toronto 2014 BUDGET

How to Get Involved in the Budget Process

Every time you use a park or recreation centre, get a book from the library, have your garbage or recycling picked up, drink

Be informed
The first step is to be informed. You can learn our website at our Budget Basics Toronto City

Toronto Public Libraries

How we work for you.

There are **98 Toronto Public Library branches** in every corner of the city.

The branches are welcoming spaces for everybody, including **children, newcomers, students, entrepreneurs and book lovers of every age**

1.3 million people are registered **Toronto Public Library cardholders**

In 2012 torontopubliclibrary.ca had about **26 million** visits

People borrowed library material **32 million** times

Students library use

| | |
|-----|--|
| 51% | to find specific info for school or work |
| 50% | as a place to work |
| 44% | to use the library computers |
| 43% | for a quiet place to study or read |

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Budget Documents

- **Analyst Notes** are prepared to provide financial and non-financial information to support decision making
- **Budget Briefing Notes** provide information on specific issues/topics to Councillors and the public during the review of the budget
- **Wrap-up Notes** summarize the review of the Budget Process in a single document and provides Committees and Council with up-to-date information for decision making
- **Corporate Reports** provide city-wide view of the Budget Committee's recommended capital and operating budgets and Program specific recommendations



Role of Budget Committee



Role of Budget Committee

- Budget Committee is a special committee of the Executive Committee (EC)
- Budget Committee's mandate includes, but is not limited to:
 - Making recommendations on the capital and operating budgets for EC consideration
 - Reviewing matters that may have a significant impact on current and future budgets, upon request from the Executive Committee
 - Monitor spending: Quarterly variance reports
- The Budget Committee supports Executive Committee which makes recommendations on the financial integrity of the City:
 - Council's strategic policy and priorities
 - Financial planning and budgeting
 - Fiscal policies including revenue and tax policies



Role of Budget Committee – Budget Process

- Undertake detailed reviews of individual City Program and ABC budgets to ensure that Executive Committee’s directions were met
- On behalf of the Executive Committee, hold formal meetings / hearings:
 - Receive public deputations and input from Councillors on matters and issues of interest
 - Where warranted, make changes to the staff recommended budget
- Recommend a balanced budget to the Executive Committee that:
 - Demonstrates strategic alignment of resources to Council priorities
 - Highlights expected results and outcomes
 - Incorporates strategies adopted to resolve the structural deficit problem



Role of Budget Committee – In-Year

- Evaluate / monitor in-year budget adjustments from variance reports:
 - Reserves
 - Operating
 - Capital
- Review Standing Committee reports with budget impacts
- Ensure the budget adjustments recommended for Council approval do not impact the Tax Levy Budget and/or debt approved by Council
- Assess and make recommendations on reports with future year financial implications
- Address emerging financial issues



Approved 2015 Budget Schedule

| Activity | Operating/Capital Budget - Rate Supported Programs | Capital Budget - City Divisions & Agencies | Operating Budget - City Divisions & Agencies |
|---|---|---|---|
| Budget Submission Deadline | 23-Jun | 30-May | 23-Jun |
| Director, Financial Planning Division Review with Programs | August 6 - September 4; September 26 - 30 | June 25 - July 7; September 26 - 30 | August 6 - September 4; September 26 - 30 |
| CM/CFO Meeting with Programs | October 8 – November 20, 2014 | | |
| CM/CFO/DCM Final Meeting | November 21, 2014 | | |
| Budget Launch - Budget Committee | January 20, 2015 | | |
| Budget Briefings (Budget Committee) | January 26 - 29, 2015 | | |
| Public Presentations (Budget Committee) | February 2 - 3, 2015 | | |
| Program Reviews (Budget Committee) | February 4 - 5, 2015 | | |
| Budget Committee Wrap-up | February 13, 2015 | | |
| Budget Committee Final Wrap-up | February 20, 2015 | | |
| Special Executive Committee | March 2, 2015 | | |
| Special City Council | March 10 - 11, 2015 | | |

Road to Fiscal Sustainability: Where We Have Been



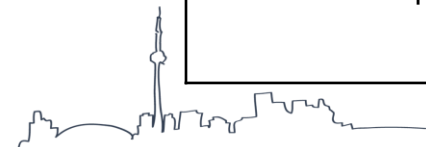
Long Term Fiscal Plan

- April 2005 — LTFP received Council approval
- Core long-term objectives:
 - Predictable and sustainable service funding to allow for multi-year budgets
 - Shift cost shared programs to Province
 - Affordable property taxes and fees
 - Maintain capital assets in State of Good Repair
 - Stabilize liabilities
- Emphasizes the balancing of financial strategies through 3 key components: revenues, expenditures and assets and liabilities
- LTFP update expected 2015 Q2



Fiscal Health Scorecard

| Identified in the Long Term Fiscal Plan (2005) | Current Status | Score |
|--|--|--------|
| Well- Managed (Expenditures) | | |
| <ul style="list-style-type: none"> City has higher costs than other municipalities Demands for growth need to be adequately funded Upload of social services and transit partnership | <ul style="list-style-type: none"> Costs reduced | Green |
| | <ul style="list-style-type: none"> Updated the City's Development Charges Bylaw | Green |
| | <ul style="list-style-type: none"> Social Services & Court Security upload. Restore 50% funding on OW admin costs | Green |
| | <ul style="list-style-type: none"> Upload of Social Housing costs | Red |
| | <ul style="list-style-type: none"> Restore 50% provincial funding for transit operating costs | Red |
| Affordable (Revenues) | | |
| <ul style="list-style-type: none"> Business taxes need to be more competitive Revenue growth need to match responsibilities/growth Province needs to properly fund income support programs New revenues for City building and growth | <ul style="list-style-type: none"> Improving business competitiveness | Green |
| | <ul style="list-style-type: none"> Revenues diversified- Provincial upload on schedule; user fees enhanced | Green |
| | <ul style="list-style-type: none"> Secured permanent share of Federal and Provincial Gas Tax | Green |
| | <ul style="list-style-type: none"> Share of Harmonized Sales Tax | Red |
| Sustainable (Assets & Liabilities) | | |
| <ul style="list-style-type: none"> Aging infrastructure must be replaced while minimizing debt Employee benefits and other liabilities need to be adequately funded | <ul style="list-style-type: none"> 10 Year Capital Plan- More than 70% to be spent on State of Good Repair (SOGR) | Green |
| | <ul style="list-style-type: none"> Debt increase mitigated through surplus management policy | Green |
| | <ul style="list-style-type: none"> Sick Pay liability partially capped, but some liabilities still growing | Yellow |



Service Review Program

To address Toronto's 2012 budget gap, City Council launched a review of all services and implemented a multi-year financial planning process.



Core Service Review

- Examined **what** services the City should be delivering

Service Efficiency Studies

- Examining service levels and **how** specific City services are delivered

User Fee Review

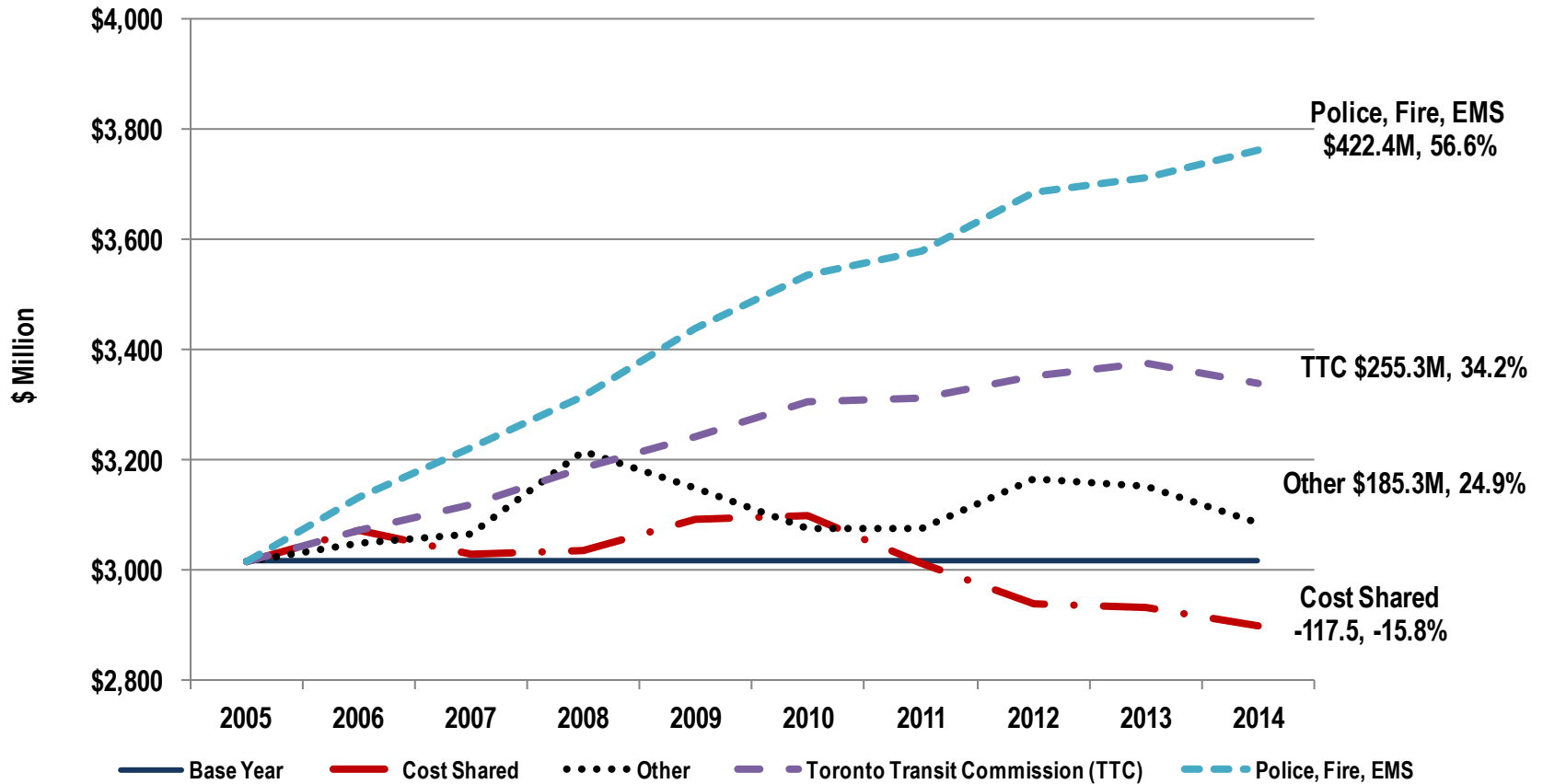
- Examined all user fees to determine if they are fair and collect the **full cost of the service.**

Expenditure Control

- **Core Service Review**
 - KPMG reviewed 105 City Services and ranked 90% as core services, 8% as traditional and 1% as other/discretionary
- **Service Efficiency Savings and Base Budget Reductions**
 - 2007-2010: \$371M
 - 2011-2014: \$753M
- **Labour Settlements**
 - 2009 Settlement: Reduced sick pay liability - \$174M
 - 2012 Settlement: \$138M over four years
- **Contract Out Garbage Collection Savings**
 - 2011-2017: \$87M (7 Years)



2005 – 2014 Operating Budget Growth



Efforts to Grow Revenues

Actions Taken (2007-2010)

- City of Toronto Act:
 - Municipal Land Transfer Tax (2008) - \$350M/year
 - Personal Vehicle Tax (2009 but repealed 2011) - \$50M/year
 - Third-Party Sign Tax (2012) - ~10 M/year
- Enhancing Toronto's Business Climate - Tax Ratio Reduction Initiative
- Secured Provincial uploading of Social Services through PMFSDR - \$158M
- Federal Gas Tax revenues increased by ~ \$90M during the period

Actions Taken (2011-2014):

- User Fee Policy (2011) and TTC Fare Increases- \$102M
- Development Charges By-Law (2013); increases to fund capital growth related projects (Revenues forecasted to grow by between \$170 to \$250M annually, compared to ~\$100M annually between 2009 to 2012)

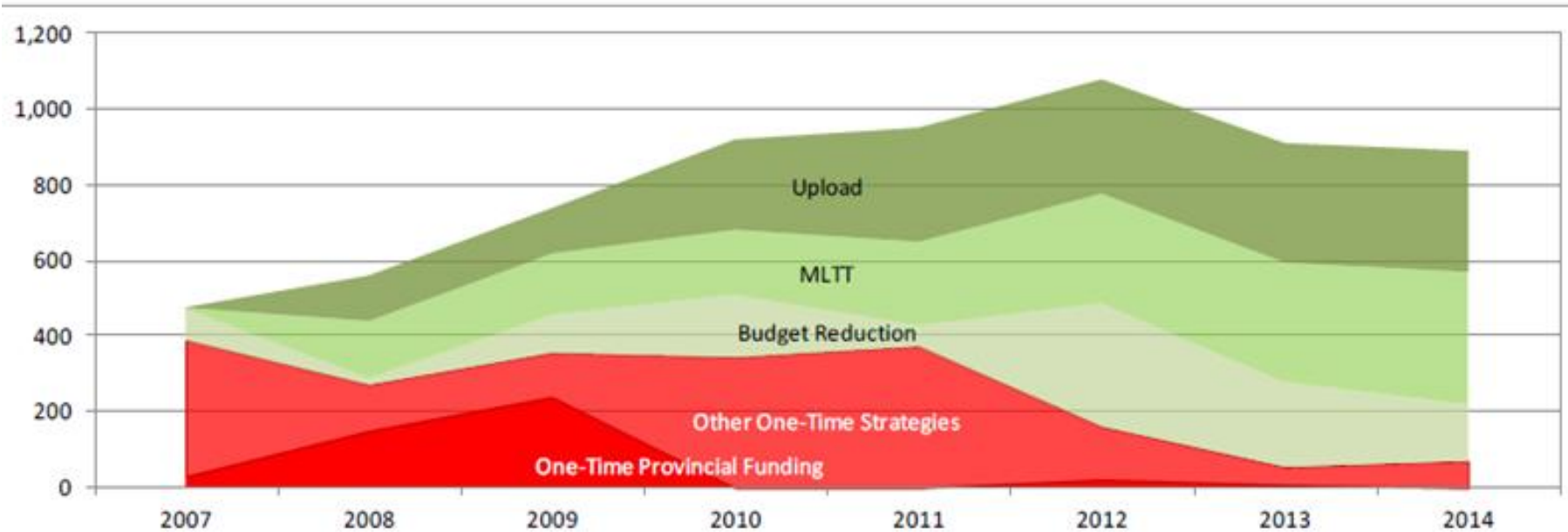
Outstanding:

- Municipal revenue source that grows with economy (e.g. HST)



Balancing Strategies to Fund Budget Shortfalls (2007-2014)

2007-2014 Major Long Term Balancing Strategies to Fund Budget Shortfall



Goal: Reduce reliance on one-time funding strategies such as

- one-time provincial grants
- drawing on reserve funds for purposes other than intended
- use of previous year's operating surplus



2014 Operating Budget & 2015 Outlook



Operating Budget - Budget Context

The Challenge:

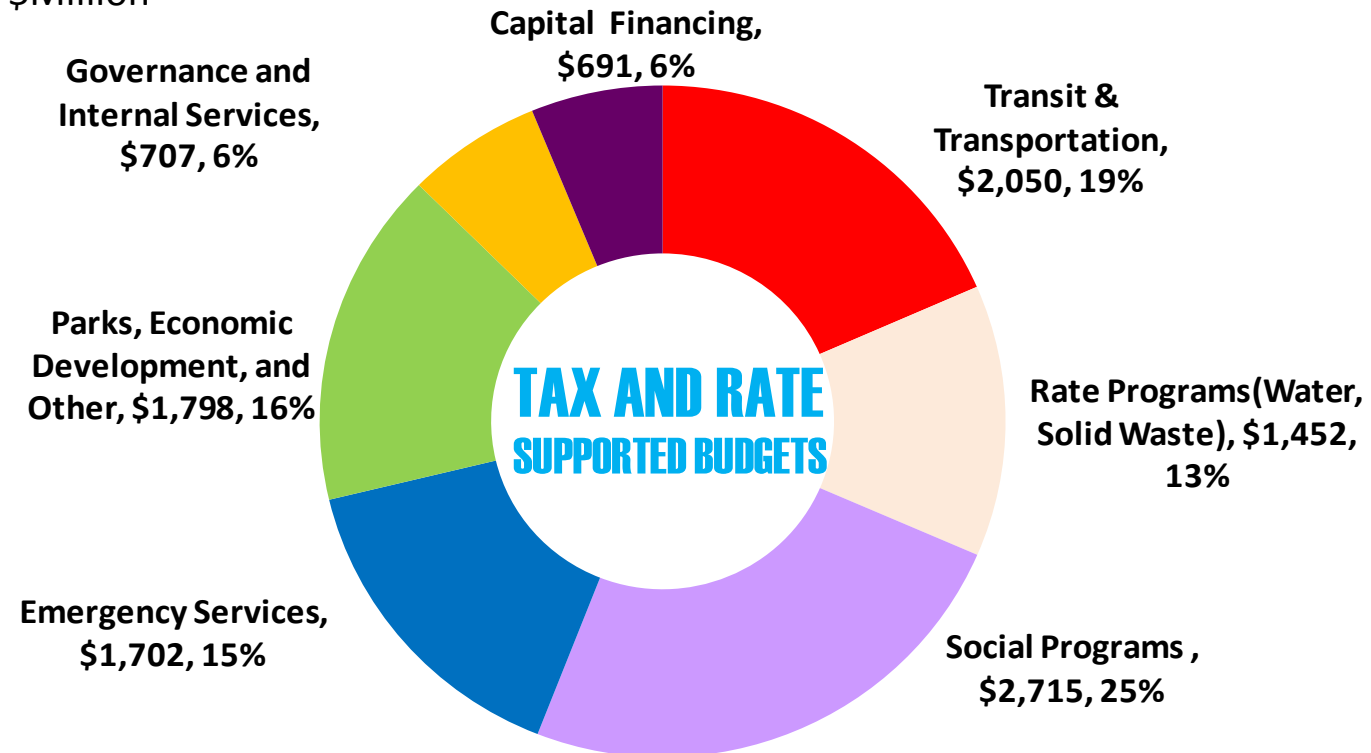
- Opening Spending Pressure (after revenue and Property Tax increases) - approximately \$333 million
- Loss of \$129 million provincial funding from 2014 - 2015
- Continue to make infrastructure investments
- Keep tax rate increases to a minimum



Where the Money Goes

2014 Operating Expenditures of \$11.1 Billion

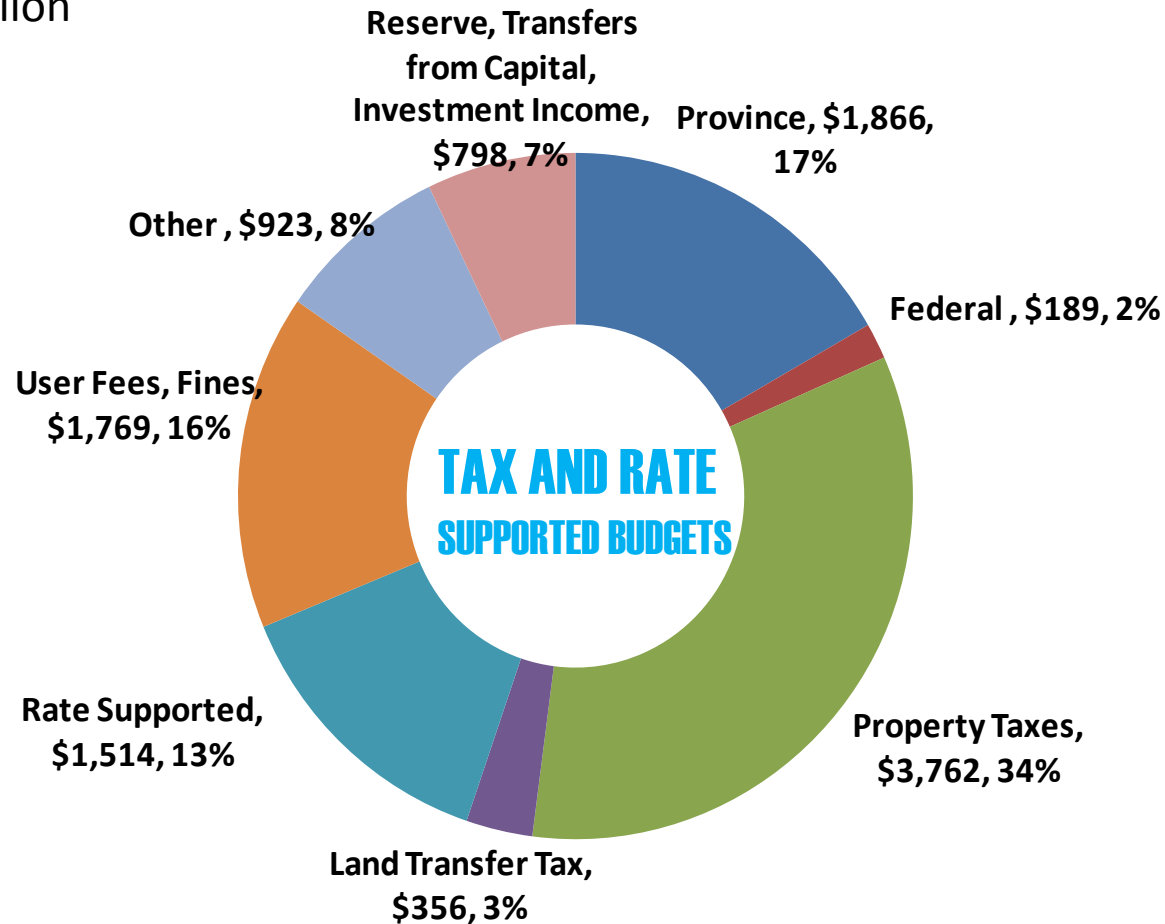
\$Million



Where the Money Comes From

2014 Operating Revenues of \$11.1 Billion

\$Million

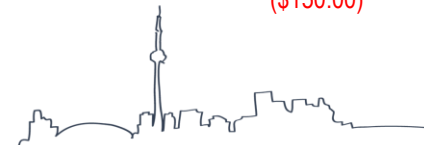
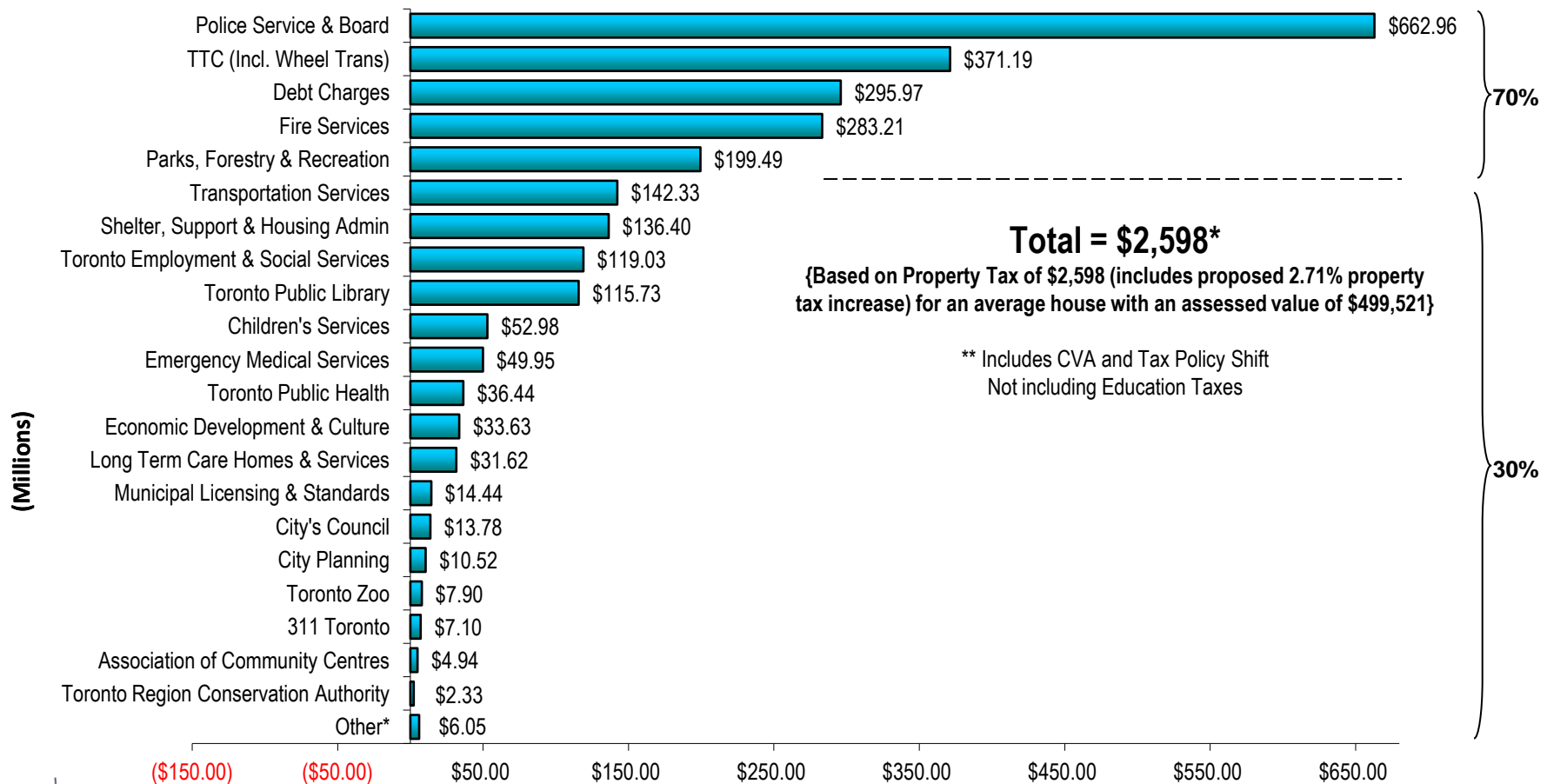


Major Revenue Sources

- **Property Tax** — the largest source of the City's revenues (**\$3.8 B** or 39% of the 2014 tax-supported operating budget).
- **User Fees** —
 - Tax-supported operations: **\$1.6 B** (incl. TTC passenger fares at \$1.1B)
 - Rate-supported operations: there are 3 rate-supported programs — Toronto Water, Solid Waste and Toronto Parking Authority, which are predominantly funded by user fees of about **\$1.4 B**.
- **Provincial and Federal Transfer Payments** — funding both Operating (**\$2.0 B** or 21%) & Capital Budgets (**\$0.5 B** or 24%) for tax-and rate-supported programs.
- **Municipal Land Transfer Tax (MLTT)** —
 - Authorised by City of Toronto Act, 2006
 - ~ **\$350 B** or 4% of the 2014 tax-supported Operating Budget.
- **Development Charges (DCs)** — fund eligible growth related capital costs, estimated at **\$92 B** for the 2014 tax-supported programs (4%) and **\$30 M** for the rate-supported programs (5%).



Where the 2014 Property Taxes are Spent



Enhancing Toronto's Business Climate

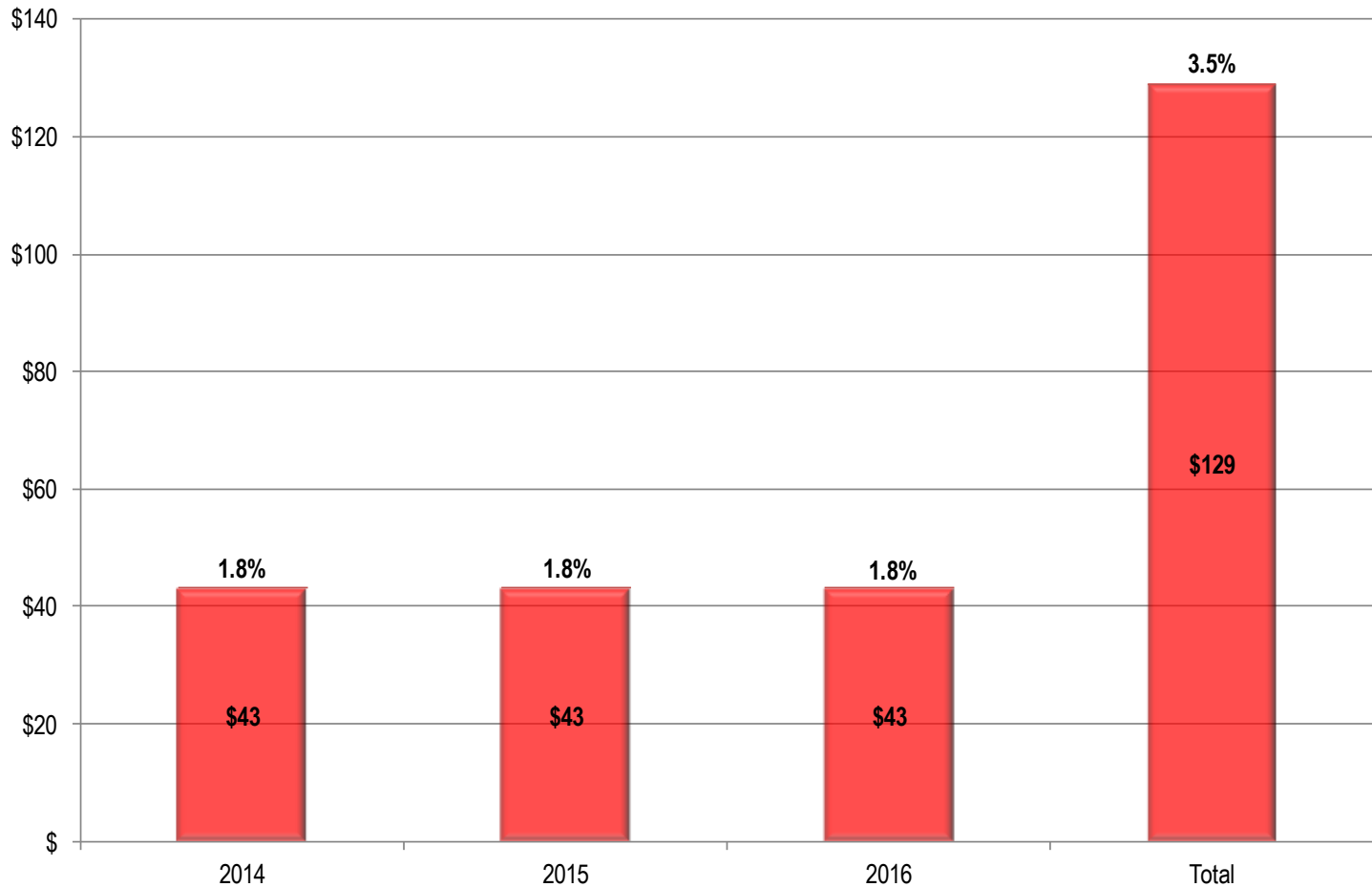
Tax Ratio Reduction Initiative

| | | Actual | | | | | Projected | Target | |
|-------------------|------|--------|------|------|-------------------|-------------------|-----------|--------|------|
| | 2006 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2020 |
| Residential | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Commercial | 3.68 | 3.37 | 3.26 | 3.23 | 3.17 | 3.12 | 3.07 | 3.00 | 2.50 |
| Industrial | 4.09 | 3.55 | | | (vs. 3.23 target) | (vs. 3.15 target) | | | |
| Multi-Residential | 3.63 | 3.38 | 3.31 | 3.31 | 3.26 | 3.18 | | | |
| Small Business | n/a | 3.26 | 2.97 | 2.93 | 2.81 | 2.76 | 2.63 | 2.50 | |
| | | | | | (vs. 2.89 target) | | | | |



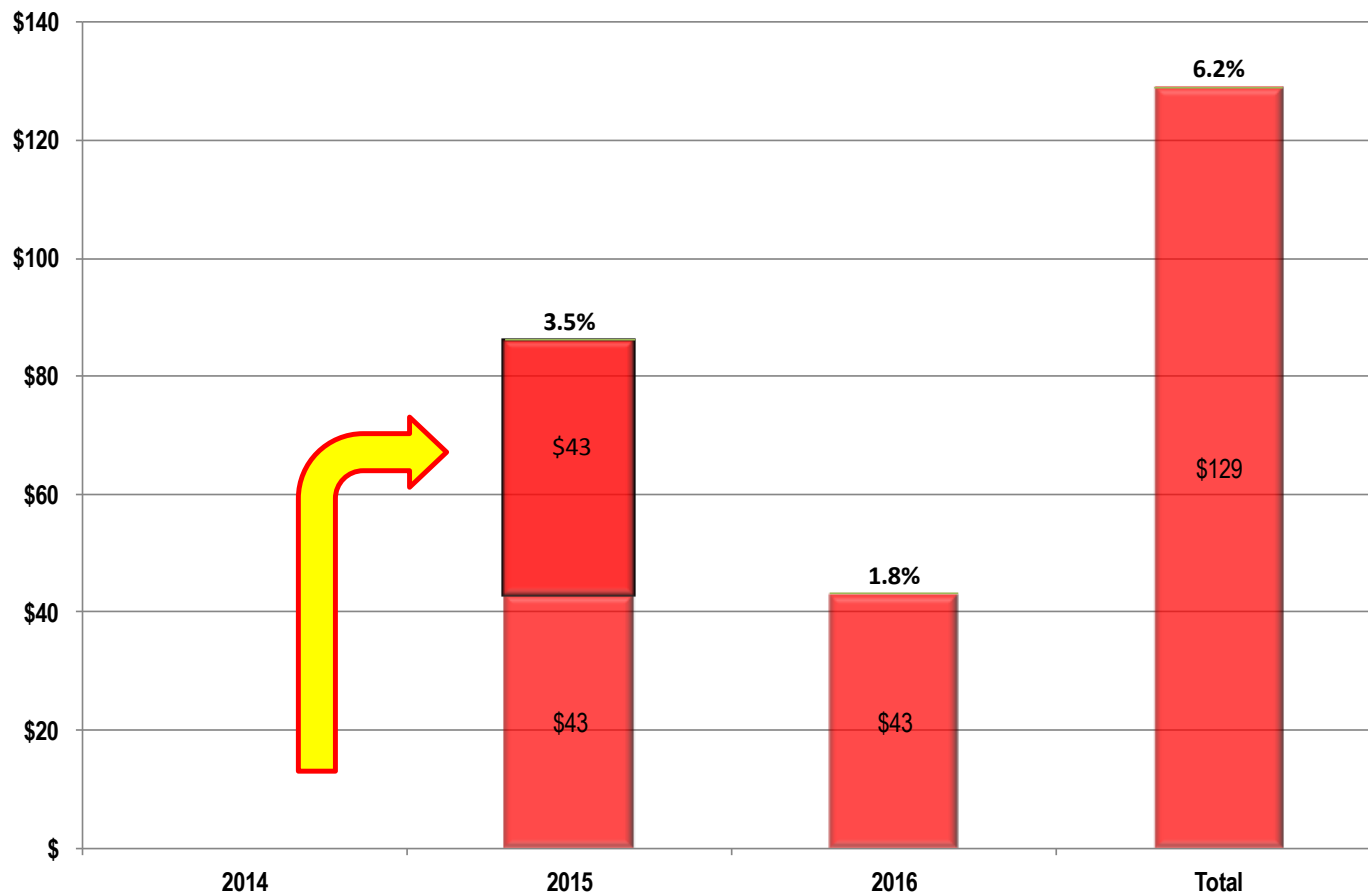
Provincial Funding Loss – 2014 to 2016

(\$ Millions)



Provincial Funding Loss – 2014 to 2016

(\$ Millions)



2015 Budget Pressure

– Original Estimate in January

| (\$ Millions) | 2015 Outlook |
|--|--------------|
| Depletion of Reserves | 30 |
| Compensation & Benefits | 68 |
| TTC (before ridership growth) | 101 |
| Debt Charges & CFC | 64 |
| Other Program Expenditures | 136 |
| Total Expenditure Pressure | 399 |
| TTC Ridership Growth | (17) |
| Other Revenues | (16) |
| Provincial Funding Loss | 86 |
| Total Revenue Change | 53 |
| Pressure after Revenue Changes: | 452 |
| Property Tax Increase (2.0% Res/0.67% Non-Res) | (49) |
| TTC Fare Increase (10 Cents) | (40) |
| Assessment Growth | (30) |
| 2015 Outlook | 333 |



2014 – 2023 Capital Budget and Plan



City's Infrastructure is Substantial

| | | Estimated Asset Value * |
|--|--|--------------------------------|
| Transportation Infrastructure | <ul style="list-style-type: none"> - 5,230 km of roads & expressways - 7,100 km of sidewalks - 500 bridges - street lightings & traffic signal controls | \$11 Billion |
| Water & Wastewater Infrastructure | <ul style="list-style-type: none"> - 4 water filtration & 4 wastewater treatment plants - 10 reservoirs, 4 water storage tanks & 5 wastewater detention tanks - 100 pumping stations - 5,525 km of watermains & 10,500 km for wastewater distribution system | \$28 Billion |
| Public Transit System | <ul style="list-style-type: none"> - 1,543 buses & 248 streetcars - 706 subway & light rail cars - subway, buildings, trackwork, equipment, etc. | \$14 Billion |
| Buildings, Facilities & Fleet | <ul style="list-style-type: none"> - 1,465 structures including civic centres, recreation facilities, fire halls, libraries, ambulance buildings, etc. - more than 4,000 vehicles, ferries and vessels | \$9 Billion |
| Housing Infrastructure | <ul style="list-style-type: none"> - 58,700 public housing units (full responsibility) - 31,300 non-profit & commercial units (funding responsibility) | \$9 Billion |
| Parkland & Other Land | 8000 hectares of parkland (= 13% of the land area of the City of Toronto) | \$1 Billion |
| * Replacement Cost Estimates | | \$72 Billion ++ |



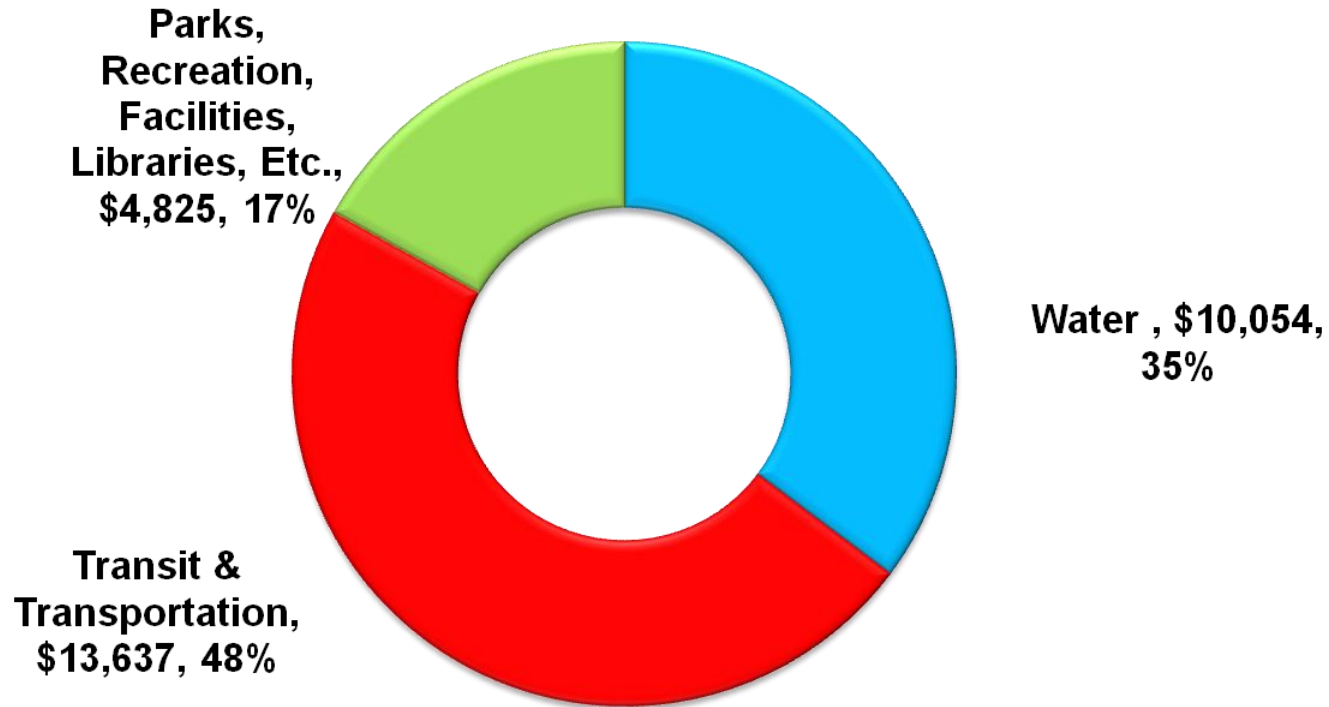
Major Challenges for Capital Planning

- Addressing the increased investment need in SOGR due to aging infrastructure:
 - Gardiner Expressway, TTC, TCHC, Parks, Forestry & Recreation
- Uncertainty over Federal and Provincial funding
- Accommodating Ridership Growth
- Addressing TTC unfunded capital projects totaling about \$3 billion
- Keeping debt service costs below the 15% ceiling approved by Council
- Future TTC requirements

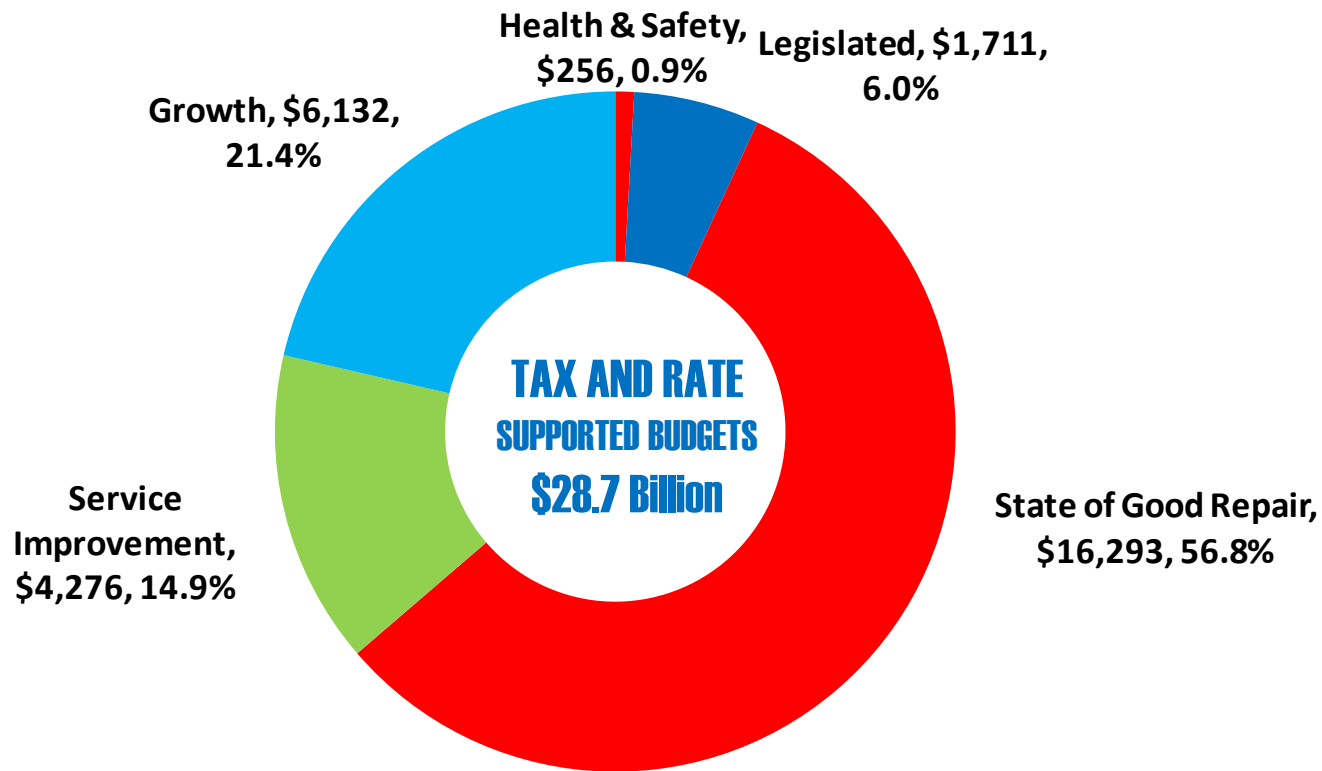


2014 – 2023 Tax & Rate Supported Capital Budget & Plan - \$28.7 Billion by Service Type

\$Million



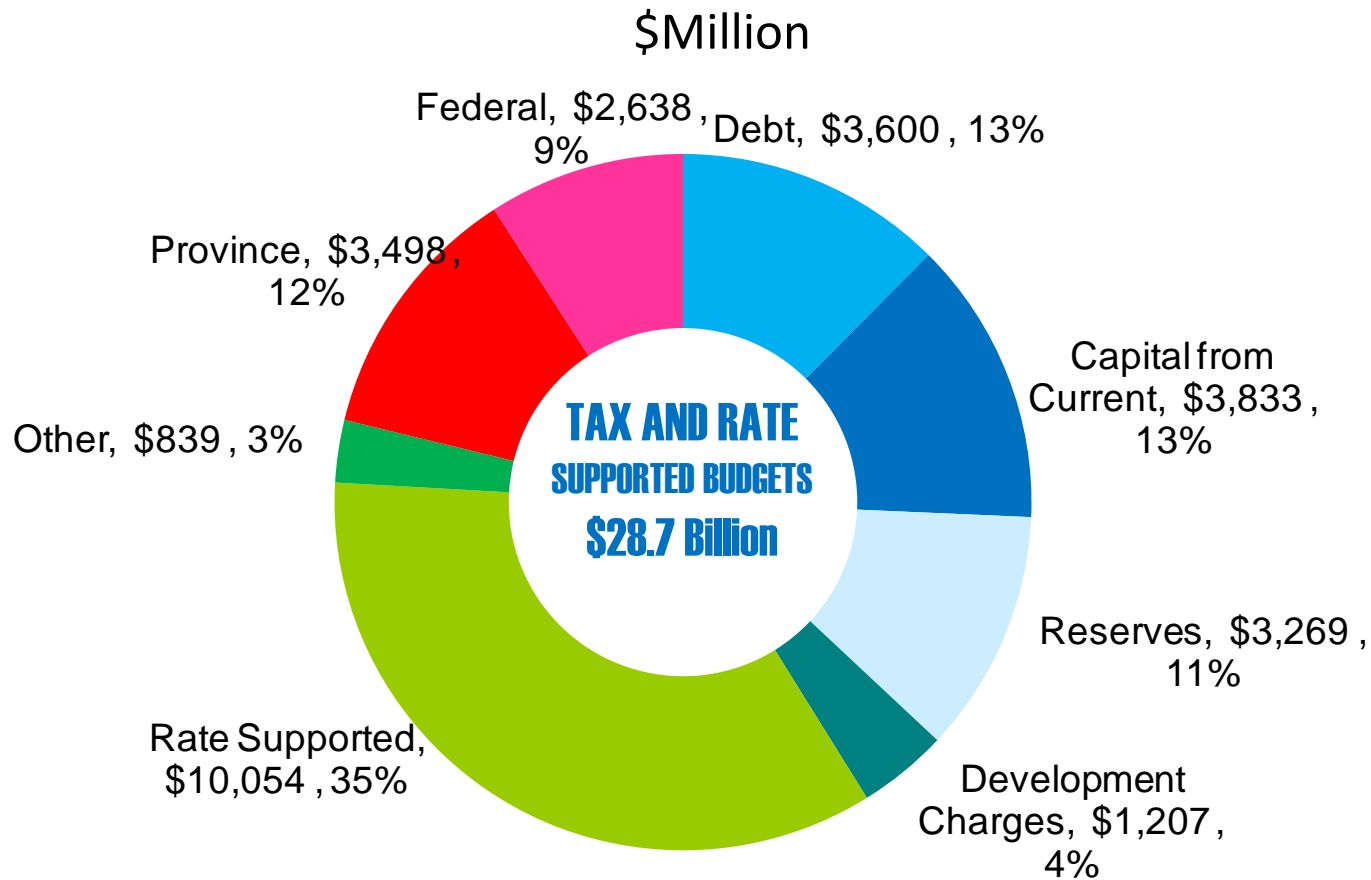
2014 – 2023 Tax & Rate Supported Capital Budget & Plan - by Project Type



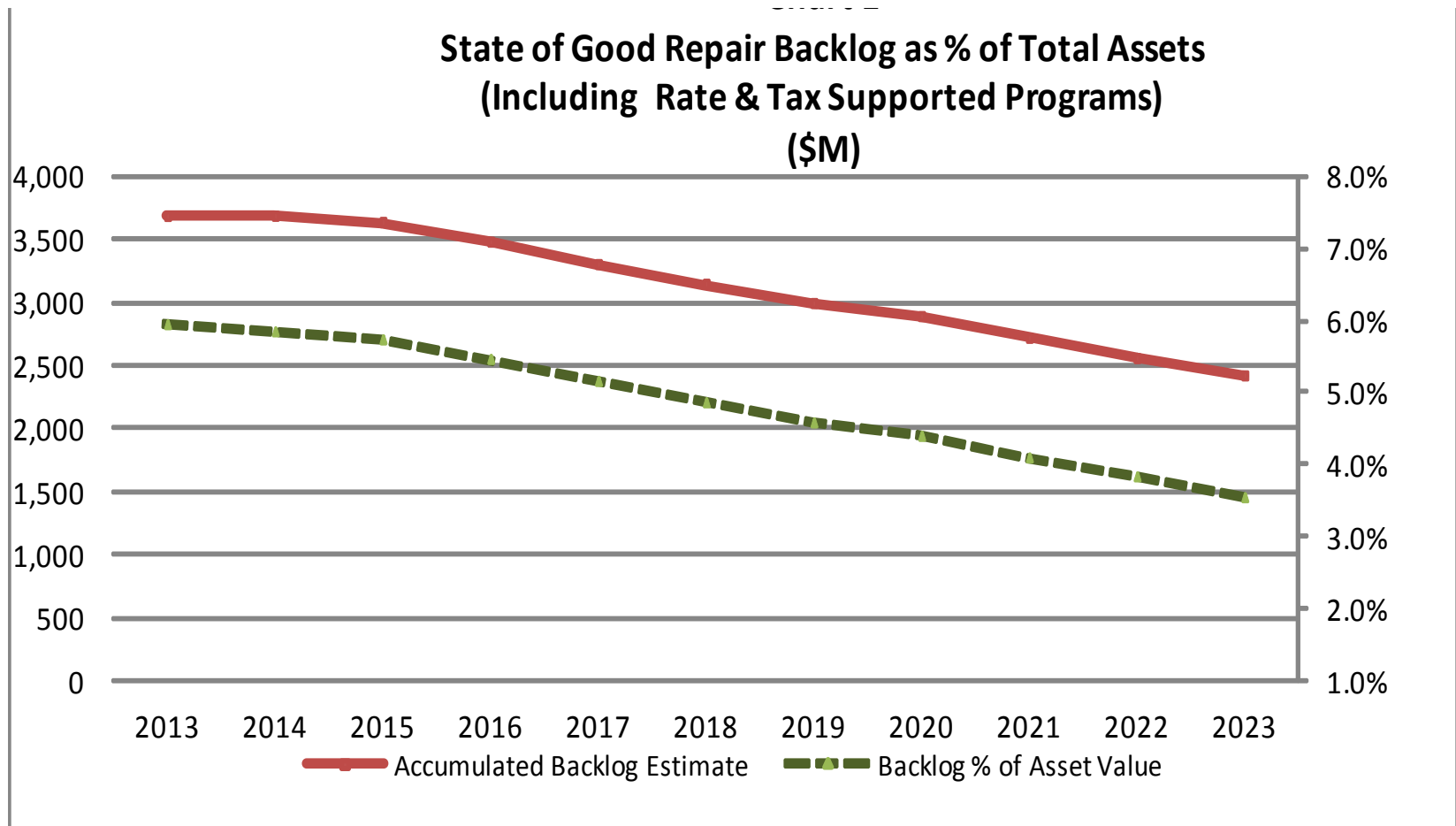
\$Million



2014 – 2023 Tax & Rate Supported Capital Budget & Plan - by Funding Source



SOGR Backlog as a % of Capital Asset Value



Top 6 City Programs/Agencies – Comprise >90% of the Total Accumulated SOGR

| \$ Million | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Toronto Water | 1,641 | 1,599 | 1,430 | 1,218 | 1,015 | 814 | 658 | 501 | 333 | 192 | 92 |
| Transportation Services | 949 | 981 | 1,011 | 1,038 | 1,045 | 1,056 | 1,107 | 1,149 | 1,187 | 1,218 | 1,215 |
| Parks, Forestry & Recreation | 310 | 296 | 308 | 330 | 335 | 360 | 317 | 305 | 247 | 184 | 120 |
| Facilities Management and Real Estate | 334 | 329 | 351 | 341 | 337 | 324 | 308 | 296 | 288 | 279 | 285 |
| Toronto & Region Conservation Authority | 187 | 185 | 182 | 180 | 177 | 175 | 172 | 169 | 166 | 163 | 158 |
| Toronto Transit Commission | 0 | 30 | 93 | 123 | 148 | 183 | 208 | 243 | 278 | 313 | 338 |
| Other | 259 | 260 | 255 | 246 | 240 | 231 | 219 | 223 | 216 | 206 | 209 |
| Total SOGR Backlog | 3,679 | 3,680 | 3,631 | 3,476 | 3,298 | 3,142 | 2,990 | 2,886 | 2,715 | 2,554 | 2,417 |
| Total Asset Value (end of year) | 61,955 | 63,003 | 63,375 | 63,681 | 63,999 | 64,682 | 65,304 | 65,688 | 66,322 | 66,659 | 68,213 |
| SOGR as % Asset Value | 5.94% | 5.84% | 5.73% | 5.46% | 5.15% | 4.86% | 4.58% | 4.39% | 4.09% | 3.83% | 3.54% |

TTC figures excludes \$2.7 billion of other unfunded projects and needs.



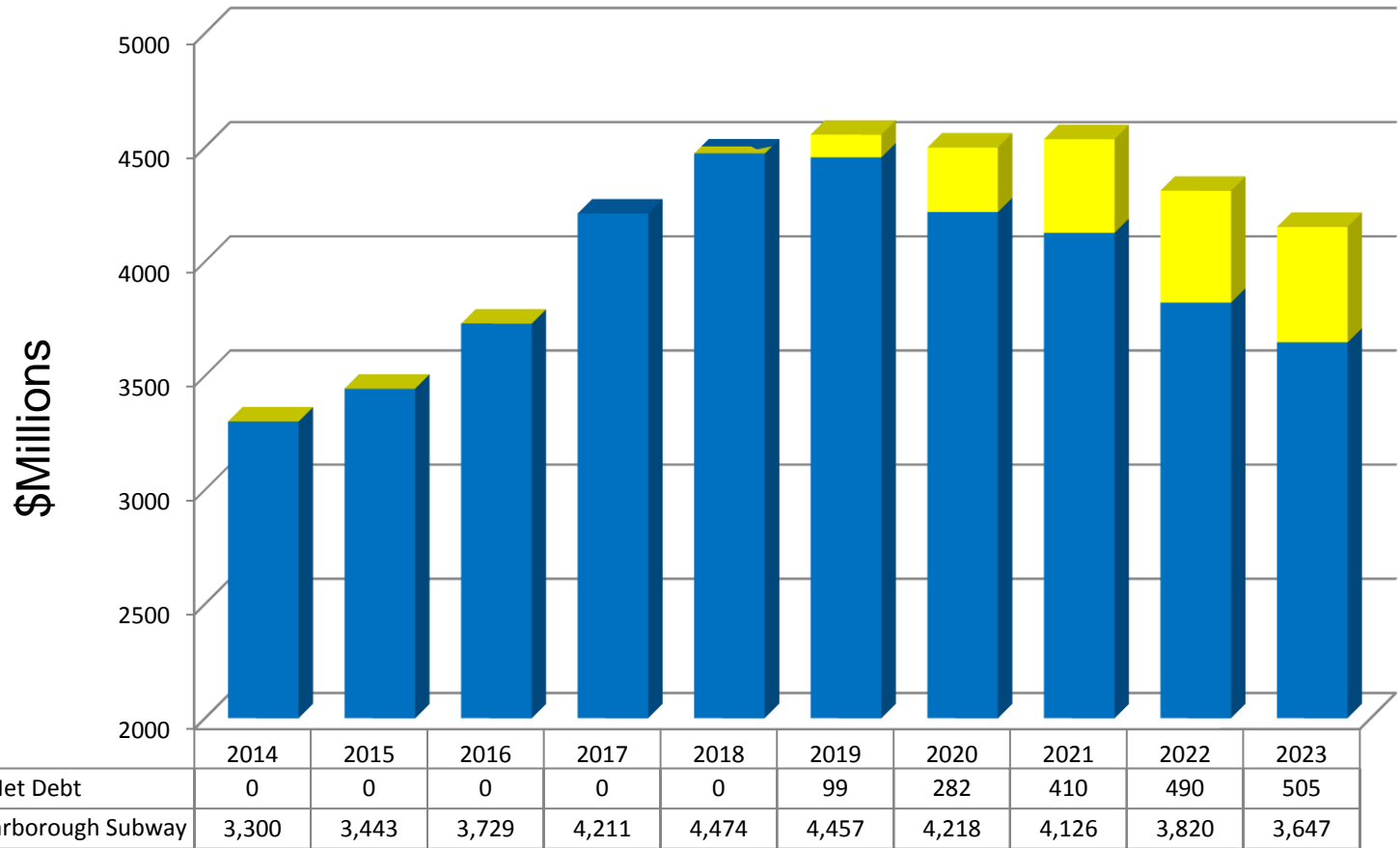
Capital Financing Strategy

| Capital Financing Strategy - Reserve XQ0011 | | | | | | | | | | | | | | |
|---|-----------------------------|------------|------------|--|------------|-----------|------------|------------|------------|------------|------------|------------|-----------|--------------|
| Description (\$ Millions) | 2012 - 2014 Secured Revenue | | | Future Year Capital Financing Strategy Revenue Estimates | | | | | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
| Enwave | 167 | | | | | | | | | | | | | 167 |
| Enwave Dividend | 11 | | | | | | | | | | | | | 11 |
| TPLC Dividend | 40 | | | | | | | | | | | | | 40 |
| Prior Year Operating Surplus | 214 | 186 | 126 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 1,026 |
| DC Increases | | | | | | | | 25 | 25 | 25 | 25 | 25 | | 125 |
| Future Years BT Dividend | 20 | | 10 | 0 | 35 | 45 | 50 | 50 | 50 | 50 | 50 | 50 | | 410 |
| Future Years Fed/Prov | | | | | | | 50 | 50 | 50 | 50 | 50 | | | 250 |
| TPA One-Time | | | | | 41 | | | | | | | | | 41 |
| Other | 1 | 3 | | | | | | | | | | | | 4 |
| Bank Tower Surplus | | 30 | | | | | | | | | | | | 30 |
| Total: | 453 | 219 | 136 | 50 | 126 | 95 | 150 | 175 | 175 | 175 | 175 | 125 | 50 | 2,104 |

| Past, Current & Future Year Funding Requirements | | | | | | | | | | | | | | |
|--|-----------|-----------|------------|------------|------------|------------|------------|------------|------------|-----------|-----------|-----------|-----------|--------------|
| Description (\$ Millions) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
| 2012 TTC Capital | 45 | 60 | 210 | 180 | 125 | 80 | | | | | | | | 700 |
| 2013 TTC Capital | | | 42 | 48 | 70 | 85 | 114 | 116 | 60 | | | | | 534 |
| 2013 Transportation Capital | | 15 | 61 | 62 | 68 | 77 | 78 | 69 | 77 | 78 | 79 | 90 | 85 | 838 |
| 2014 FM&RE Capital (St. Lawrence N.) | | | | | 15 | | | | | | | | | 15 |
| Other Program Draws | | | 3.7 | 8.2 | 4.8 | 6.9 | 3.9 | 0.2 | 0.2 | 0.2 | 1.4 | 0.2 | 0.2 | 30 |
| Total | 45 | 75 | 317 | 298 | 282 | 249 | 196 | 185 | 137 | 78 | 81 | 90 | 85 | 2,117 |

| Available Capital Financing Strategy Funding (Based on Current Capital Requirements & Future Year Revenue Estimates) | | | | | | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|----------------|----------------|----------------|----------------|---------------|-------------|-------------|-------------|-----------|
| Description (\$ Millions) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
| Estimated Reserve Opening Balance | \$27 | \$435 | \$579 | \$398 | \$151 | (\$6) | (\$160) | (\$206) | (\$215) | (\$177) | (\$81) | \$14 | \$49 | |
| Annual Funding Requirements | (\$45) | (\$75) | (\$317) | (\$298) | (\$282) | (\$249) | (\$196) | (\$185) | (\$137) | (\$78) | (\$81) | (\$90) | (\$85) | (\$2,117) |
| Annual Revenue Estimates | \$453 | \$219 | \$136 | \$50 | \$126 | \$95 | \$150 | \$175 | \$175 | \$175 | \$175 | \$125 | \$50 | \$2,104 |
| Estimated Reserve Closing Balance | \$435 | \$579 | \$398 | \$151 | (\$6) | (\$160) | (\$206) | (\$215) | (\$177) | (\$81) | \$14 | \$49 | \$14 | |
| Advance Financing Requirements | | | | | 6 | 154 | 46 | 9 | | | | | | 215 |

Net Long-Term Debt Outstanding (2014-2023)

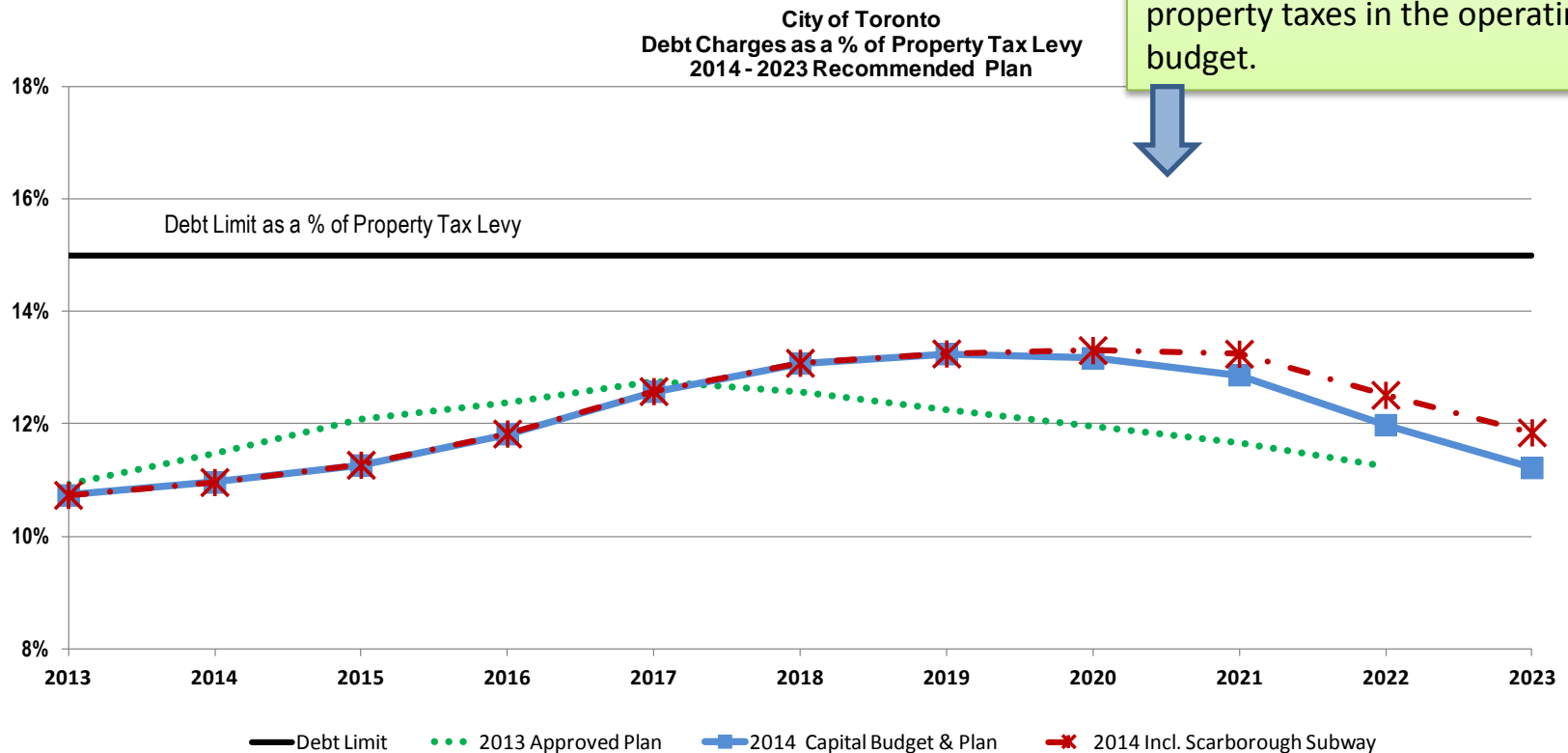


Excludes debt issued by TCHC

Debt Charges as a % of Property Taxes

Toronto Council adheres to a relatively conservative policy of limiting annual debt service charges to 15% of the annual tax-supported property tax levy.

This limit ensures that at least 85 cents on each property tax dollar raised is available for operating purposes. Debt charges are paid for by property taxes in the operating budget.



Thank you



Appendix

Details of Financial Planning & Management Framework

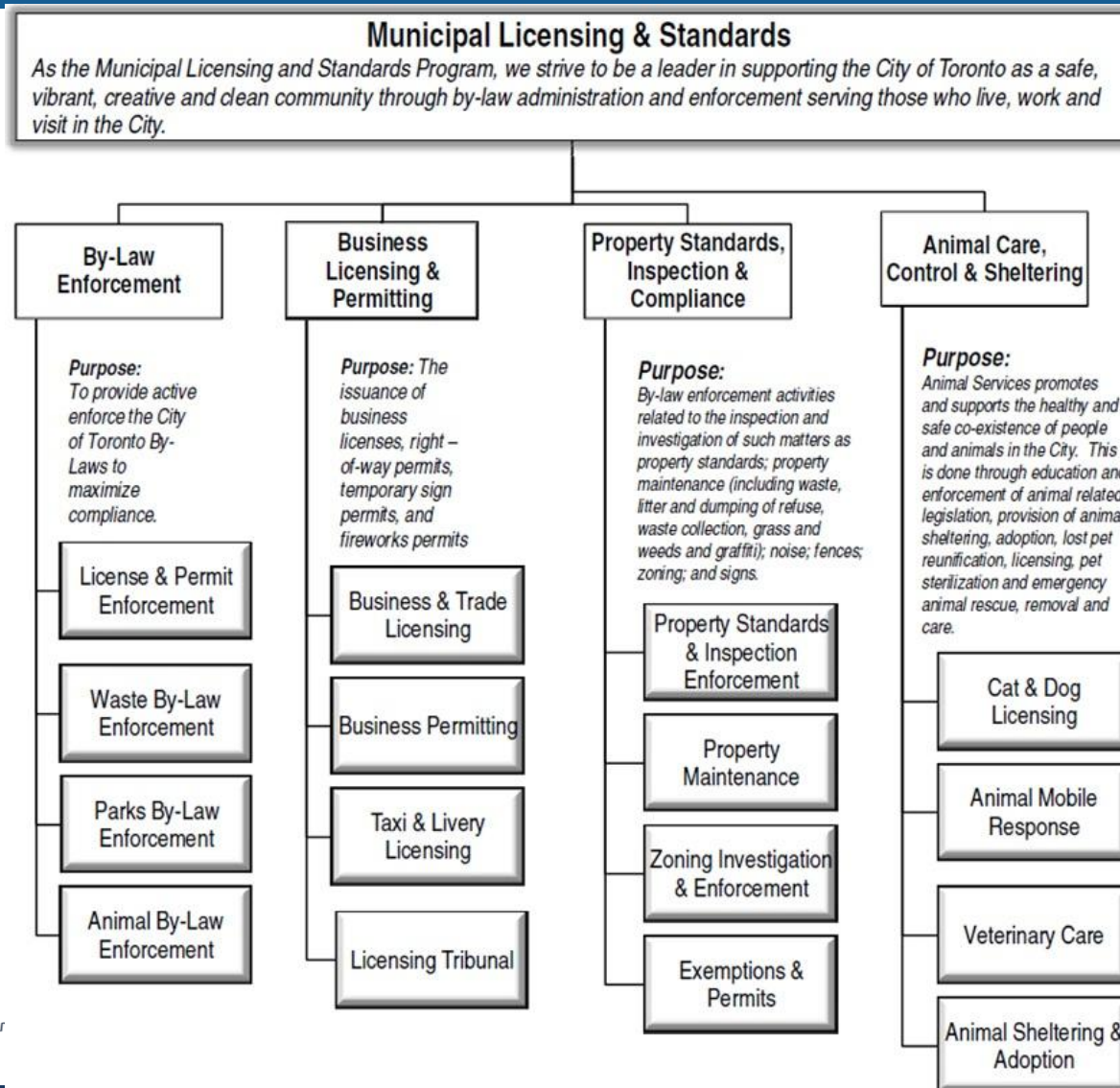


Operating Budget Planning and Approvals

- The City prepares a multi-year operating budget: 1 year budget plus a 2-year outlook for services delivered by its City Programs and Agencies
- Operating budget is Service-Based: focuses on Budget for City services, service levels, and staff complement
 - Program Maps, Service Inventory and Service Profiles (including service levels) have been established for all City Programs and Agencies.
 - Multi-year, service based budgets were developed and approved by Council for 155 services beginning in 2014.
 - Tracking of actual expenditures and staff complement based on services began in 2014.
 - All permanent and temporary / capital and operating positions are budgeted in the operating budget



Program Map



Example

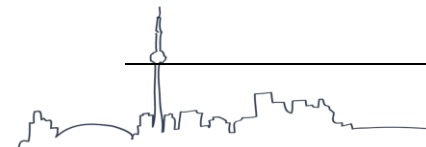


Service Levels

Service Level: Municipal Licensing & Standard

Example

| Activity | Type | Service Levels | | | |
|--------------------------------|--|---|------|------|---------------------------------------|
| | | 2011 | 2012 | 2013 | 2014 Recommended |
| License and Permit Enforcement | License and Permit Enforcement | 100% initial response within 48 hours | | | 100% initial response within 48 hours |
| Waste By-Law Enforcement | Abandoned Appliances | 100% initial response within 48 hours | | | 100% initial response within 48 hours |
| | Illegal dumping | 100% initial response within 48 hours | | | 100% initial response within 48 hours |
| Parks By-Law Enforcement | Parks By-Law Enforcement | 100% initial response within 48 hours | | | 100% initial response within 48 hours |
| Animal By-Law Enforcement | Dogs off-leash When owner/dog walker present | 100% initial response within 48 hours | | | 100% initial response within 48 hours |
| | Dog Bites | Emergency response within 2 hours, non-emergency initial response within 24 hours | | | 100% initial response within 48 hours |
| | Stray Animals | 90% initial response within 5 hours | | | 90% initial response within 5 hours |



Operating Budget Planning and Approvals

- Operating Budgets prepared on the basis of costs to maintain existing services/levels plus cost for new/enhanced services
- Budget targets based on City's affordability of net (tax) funding increases
 - Property tax funding is the funding source of the last resort



Operating and Capital Budget Planning and Approvals

- Council approves:
 - Total gross expenditures = total cost of providing services, service levels and staff complement;
 - Total revenue = sum of individual non-tax revenue sources;
 - Resultant net expenditures = the amount of tax-supported (or rate-supported) funding required to balance the Operating Budget; and
 - Service levels; Staff Complement.



Strategic Asset Management



Capital Budget Planning and Approvals

- The City prepares a 10-Year Capital Budget and Plan to manage its assets, that consists of:
 - A Capital Budget for the current year.
 - Planned estimates and funding sources for each capital project/sub-project for the remaining 9 years.
- Capital expenditures represent the costs to acquire, construct, develop or better a City owned or controlled asset.
- The Capital Plan preparation is guided by capital priorities; balance between state of good repair and growth; debt affordability.
 - Debt is only issued for the current budget year. Debt in the following 9 years is considered planned debt.



Capital Budget Planning and Approvals

- **Council approves:**
 - A Capital Budget for the current year consisting of:
 - approved gross expenditures (cash flow) and funding for previously approved projects/sub-projects;
 - the total project cost and appropriated gross expenditures (cash flow) and funding for new and change-in-scope capital projects/sub-projects as well as commitments to future year gross expenditures (cash flow) and funding for multi-year projects; and
 - unspent funding carried forward from prior years to complete projects.
 - Planned estimates and funding sources for each capital project/sub-project for the balance of the 10 years.
 - Debt to be issued only for the current budget year and planned debt funding to be issued for each of the remaining 9 years of the Capital Plan.



In-Year Financial Control and Budget Adjustments

- COTA prohibits City Council from delegating authority for the approval of its budget or any amendments to it
- Council approval is required for any in-year changes to Council-approved Capital Budget and Plan and Operating Budget
- Requests to amend the budget are submitted to Committee and Council by way of a staff report that identifies:
 - Impacts on services and service levels with emphasis placed on:
 - ✓ Tax funding impacts on the **operating budget**
 - ✓ Debt impacts on the **capital budget and plan**
- Amendments must require that the total property tax levy (operating) or debt financing (capital) not be increased during the year
 - Any in-year financial impacts must be offset by a reallocation of like funding sources given the absence of contingency accounts



In-Year Financial Control and Budget Adjustments

An in-year adjustment to the **Approved Capital Budget and Plan** is required as a result of the following:

- Over-expenditures;
- Accelerations;
- Deferrals;
- Change in project scope greater than 10% of the project cost or \$500,000;
- The addition of a new project; and/or
- Unplanned allocations of funding sources including reserve funds.



In-Year Financial Control and Budget Adjustments

An in-year adjustment to the **Approved Operating Budget** is required as a result of changes to any of the following:

- Gross expenditures;
- Total revenue;
- Net expenditures (tax or rate supported funding);
- The City's staff complement count; or
- Any proposed changes to services or service levels.



Financial Monitoring and Reporting

Variance Reporting:

- On a quarterly basis, capital and operating financial (variance) performance reporting to Budget Committee, Executive Committee and City Council which provides:
 - Actual spending performance against planned expenditures
 - Projections to year-end
 - The identification of emergent financial pressures along with any recommended mitigation strategies, if necessary

Reporting Financial Impacts:

- All reports must include financial implications that are signed off by Financial Planning staff on behalf of CFO
- Implications include: Current/future year costs and funding impacts; staffing impacts; budget adjustments; risk, precedent-setting ability; and consistency with Council's strategic directions and fiscal priorities.

