



Decision Letter

Budget Committee

Meeting No.	22	Contact	Jennifer Forkes, Committee Administrator
Meeting Date	Wednesday, June 22, 2016	Phone	416-392-4666
Start Time	2:00 PM	E-mail	buc@toronto.ca
Location	Committee Room 2, City Hall	Chair	Councillor Gary Crawford

BU22.4	ACTION	Amended		Ward:All
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2017 Budget Process - Budget Directions and Schedule

Committee Decision

The Budget Committee recommends that:

1. City Council approve the 2017 Budget Process and Schedule which is designed to develop, review and adopt 2017 Rate Supported Operating Budget and 2017 to 2026 Capital Budget and Plan by December 14, 2016 and the 2017 Tax Supported Operating Budget and 2017 to 2026 Capital Budget and Plan by February 16, 2017 as set out in Appendix 1 to the report (June 17, 2016) from the City Manager and the Deputy City Manager and Chief Financial Officer.
2. City Council direct that all Agencies submit their respective final Board-approved 2017 Operating Budget and 2017 – 2026 Capital Budget and Plan requests no later than October 1, 2016.
3. City Council adopt an across the board budget reduction target of -2.6 percent net below the 2016 Approved Net Operating Budgets for all City Programs, Agencies, Toronto Community Housing Corporation, and Accountability Offices; and that strategies including but not limited to the following strategies be used to achieve the -2.6 percent target:
 - a. fund any new or enhanced services from within existing budgets, and review for impact on staff time and planned service delivery any new or enhanced services with a "net zero" funding impact;
 - b. continue to control expenditures through cost saving measures;
 - c. explore all services for efficiency savings including opportunities from business process reengineering, streamlining, transformation and innovation to service delivery including from:
 - i. service delivery rationalization and restructuring; and
 - ii. opportunities for alternative service delivery, including contracting out;
 - d. review service levels and outcomes for relevance, value and impact, focussing on non-

public facing services first;

- e. maximize user fee revenue by reviewing full cost-recovery where applicable, review existing fines and permit fees and identify new fines and other user fees where appropriate;
- f. provide a thorough justification for any new Full-time Equivalents (FTEs); and,
- g. avoid "offloading" expenses to other City Programs and Agencies.

4. City Council direct that City Programs and Agencies submit their 2017 - 2026 Capital Budget and Plans requiring that:

- a. Capital Plan submissions adhere to the debt levels approved by Council for the 2017 - 2025 Capital Plan as part of the 2016 Budget process, and projects be added in the new tenth year, 2026, that can be accommodated within current affordability targets;
- b. annual cashflow funding estimates be examined to more realistically match cashflow spending to project activities and timing, especially in the first 5 years of the Capital Plan's timeframe; and
- c. unfunded capital project estimates and timing be refined and submitted for prioritization.

5. City Council direct that the operating and capital guidelines detailed in Recommendations 3 and 4 above be applied to the Accountability Offices for the 2017 Budget process.

6. City Council direct the City Manager to provide the following information as part of the 2017 tax supported budget:

- a. detailed information about anticipated gapping of front line staff; and
- b. detailed information on proposed changes to cost recovery or cost shared services.

7. City Council direct the City Manager to prepare the 2017 tax-supported net operating budget based on estimated revenue resulting from a residential property tax increase at or below the rate of inflation.

8. City Council direct the City Manager and the Deputy City Manager and Chief Financial Officer, as part of the 2017 budget process, to accelerate the use of digital solutions, measurements and analytics.

Decision Advice and Other Information

The City Manager and the Deputy City Manager and Chief Financial Officer gave a presentation on the City of Toronto's 2017 Budget - Directions and Schedule.

Origin

(June 17, 2016) Report from the City Manager and the Deputy City Manager and Chief Financial Officer

Summary

The purpose of this report is to establish the 2017 Budget process and schedule to review and approve the Tax and Rate Supported 2017 Operating Budget and the 2017 to 2026 Capital

Budget and Plan for the City of Toronto.

The recommended 2017 Budget Process and Schedule is designed to ensure that the Rate Supported Operating Budgets and 10-Year Capital Plans are approved by December 14, 2016 and the Tax Supported Operating Budget and 10-Year Capital Plan are approved by February 16, 2017. To ensure adequate time to review agency budget submissions, it is recommended that City Council direct all Agencies to submit their final Board-approved budget submissions by October 1, 2016.

This report also lays out the 2017 operating revenue and expenditure projections which have been, in part, determined by decisions approved in the 2016 Budget process as well as anticipated costs and revenues associated with maintaining 2016 approved service levels. These projected pressures are presented to assist Budget Committee and Council in establishing recommended budget targets and directions for City Programs, Agencies and Accountability Offices in order to address significant budget pressures forecasted for 2017. These estimates are projected based on current information and are not final. These estimates will change with the receipt of actual budget submissions.

A net tax supported revenue increase of \$66 million is projected for 2017. This estimate is driven by an assumed 2 percent residential tax rate increase of \$52 million, assessment growth of \$40 million or 1 percent and only a marginal increase of \$20 million in Municipal Land Transfer Taxes that will be reduced to account for the reversal of \$38 million in approved one-time 2016 revenues and other net revenue reductions of \$8 million.

Operating expenses are forecasted to increase by \$582 million with Capital Financing and other Non-Program expenses (\$166 million), Toronto Transit Commission (\$178 million), Toronto Community Housing Corporation (\$96 million) and Toronto Police Services (\$19 million) projected as the key service cost drivers. With revenues fixed at \$66 million, budget reduction strategies are required to offset net base pressures of \$516 million in order to balance the 2017 Operating Budget. These strategies would simply address current service costs and exclude any funding for new and enhanced service investments.

Given the limited funding for City services, there is no additional financial capacity to fund any new capital works in 2017. As a result, City Programs, Agencies and Accountability Officers must submit 2017 – 2026 Capital Budget and Plans on a status quo basis. This requires capital plan requests to adhere to the 2017 – 2025 Capital Plan's annual debt funding approved by Council as part of the 2016 Budget process, and projects be added in the new tenth year, 2026, that can be accommodated within current debt targets as provided by the Deputy City Manager and Chief Financial Officer.

Staff are requested to continue to refine their estimates for the unfunded capital projects valued at \$29 billion identified in 2016 and to submit these to establish priorities. Staff have begun developing a funding plan for priority capital projects, which will include a review of debt capacity, the application of new and existing revenue options, as well as the eligibility of Federal and Provincial funding programs over the next 12 to 24 months. The ensuing list of new unfunded capital projects will be considered in concert with the City Manager and Chief Financial Officer's report on a multi-year revenue strategy which will then form the basis for the development of a funding plan for priority capital projects as part of the City's Long Term Financial Plan. The funding plan would then be submitted to Council for its consideration and approval.

Revenue tools currently under study may not be available for the 2017 Budget process and should not be considered as providing any significant relief for 2017. Should any become available for use, they must be considered as a bridging strategy to sustainable operating

budgets only. New revenue sources must be considered for the sizable unfunded capital needs that have been identified as critical to maintaining reliable City service delivery and meeting city building and other strategic objectives.

In prior years, the City Manager and Chief Financial Officer set targets for all City Programs and Agencies in advance of budget preparation. These targets have been met with varying degrees of compliance and impact. Beginning with the 2017 Budget process, Budget Committee is requested to recommend budget targets for all City Programs, Agencies and Accountability Offices for approval by City Council.

In addressing 2017 budgetary challenges, it will be necessary to ensure consistency between decisions to be taken in 2017 with the City's emerging longer-term priorities.

Background Information

(June 17, 2016) Report and Appendices 1 and 2 from the City Manager and the Deputy City Manager and Chief Financial Officer on 2017 Budget Process - Budget Directions and Schedule

<http://www.toronto.ca/legdocs/mmis/2016/bu/bgrd/backgroundfile-94516.pdf>

(June 8, 2016) Report from the Deputy City Manager and Chief Financial Officer on 2017 Budget Process - Budget Directions and Schedule - Notice of Pending Report

<http://www.toronto.ca/legdocs/mmis/2016/bu/bgrd/backgroundfile-94517.pdf>

(June 22, 2016) Presentation from the City Manager on The City of Toronto's 2017 Budget - Directions and Schedule

<http://www.toronto.ca/legdocs/mmis/2016/bu/bgrd/backgroundfile-94671.pdf>

Communications

(June 17, 2016) Letter from Mayor Tory (BU.Supp.BU22.4.1)

<http://www.toronto.ca/legdocs/mmis/2016/bu/comm/communicationfile-61616.pdf>

(June 21, 2016) E-mail from Hamish Wilson (BU.Supp.BU22.4.2)

(June 21, 2016) Letter from John Cartwright, President, Labour Council, Toronto and York Region (BU.Supp.BU22.4.3)

<http://www.toronto.ca/legdocs/mmis/2016/bu/comm/communicationfile-61663.pdf>

Speakers

Sean Meagher

Tom Gleason, Executive Director, Toronto Youth Cabinet

Tim Maguire, President, CUPE, Local 79

Michael Rosenberg

Derek Moran

Councillor Janet Davis

Councillor Gord Perks