

Toronto 2017 BUDGET



OPERATING BUDGET NOTES



Toronto Atmospheric Fund

2017 OPERATING BUDGET OVERVIEW

The Toronto Atmospheric Fund (TAF) assists in slowing global climate change and improving air quality by advancing local solutions that reduce greenhouse gas (GHG) emissions and related air pollution.

TAF collaborates with non-government organizations, governments, corporations, official committees, neighbourhood organizations, universities, public and private schools, investors to advance social, financial, policy and technological innovations that reduce air pollution and greenhouse gas emissions while also contributing to a vibrant green economy.

2017 Operating Budget Highlights

The total cost to deliver these services to Toronto residents is \$3.710 million gross and \$0 million net as shown below:

(in \$000's)	2016 Budget	2017 Preliminary Budget	Change	
			\$	%
Gross Expenditures	2,612.0	3,710.0	1,098.0	42.0%
Revenues	2,612.0	3,710.0	1,098.0	42.0%

Net Expenditures

In 2017, the Toronto Atmospheric Fund (TAF), a self-funding organization, will expand its Toronto specific mandate to Greater Toronto and Hamilton Area (GTHA) following new Provincial endowment funding of \$17 million received in 2016.

The increase in gross expenditures reflects expanded programming requirement and internal staffing enhancement to broaden TAF's efforts in the GTHA; fully funded from the incremental investment proceeds from the new provincial funding.

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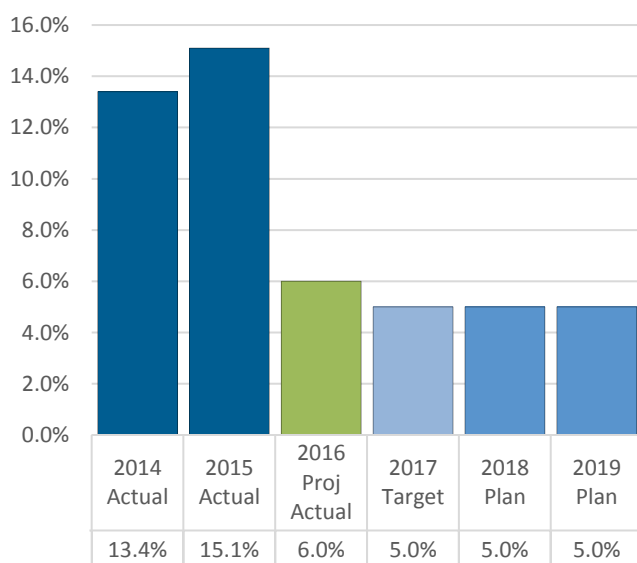
Fast Facts

- Over the past 20 years, the TAF has provided over \$60 million in grants and financing support to the City of Toronto and its residents and businesses to reduce air pollution and GHG emissions.
- In 2016, TAF initiated a new project, TransformTO, to focus on how the City can achieve its GHG reduction targets of 30% by 2020 and 80% by 2050.
- On February 25, 2016 the Province of Ontario announced a \$17 million endowment contribution to TAF to expand its urban climate solutions mandate to the Greater Toronto and Hamilton Area (GHTA).

Trends

- The TAF's marketable investments portfolio has an average return of 15.6% over 2013 - 2015.
- The Toronto Atmospheric Fund attracts external revenues through fundraising activities while maintaining its investment revenues by staying within City-approved investment portfolio parameters.
- Over the long-term, TAF's Stabilization Fund smooths out variability of investment earnings from year to year.

Portfolio Average Yield (%)



Key Service Deliverables for 2017

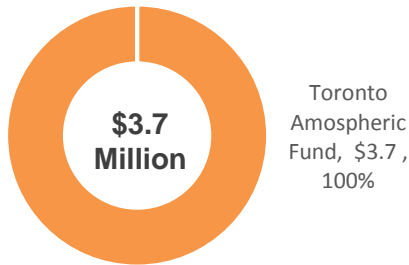
The Toronto Atmospheric Fund facilitates global climate stabilization by the reduction of emissions of greenhouse gas (GHG) emissions by advancing policy changes, mobilizing financial and social capital to incubate and commercialize energy efficiency projects which can be scaled-up along with public education.

The 2017 Operating Budget will enable the TAF Program to:

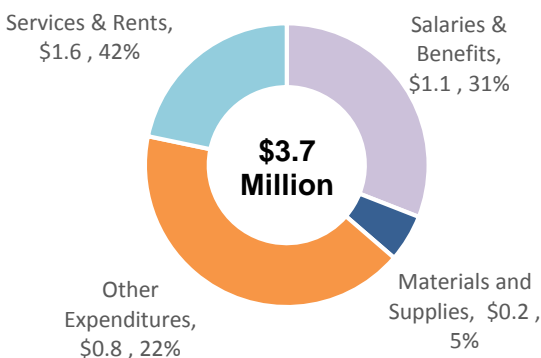
- Expand TAF's mandate to operate throughout the Greater Toronto and Hamilton Area (GTHA) to address regional opportunities for GHF reduction.
- Design, develop and implement three core programs which include incubating Climate Solutions, Mobilizing Financial Capital and Mobilizing Social Capital.
- Provide support and funding for projects related to energy efficiency, global climate stabilization and air quality improvement in co-operation with non-government organizations, governments, industries, corporations, official committees, neighbourhood organizations, universities, and public and private schools.
- Administer/manage a diversified investment portfolio with oversight by the Toronto Atmospheric Fund Board (TAF) and the appointed Investment Committee.
- Continue the TAF Grants Program to generate ideas, stimulate collaborations, and engage more stakeholders to envision and implement low-carbon solutions in Toronto.

Where the money goes:

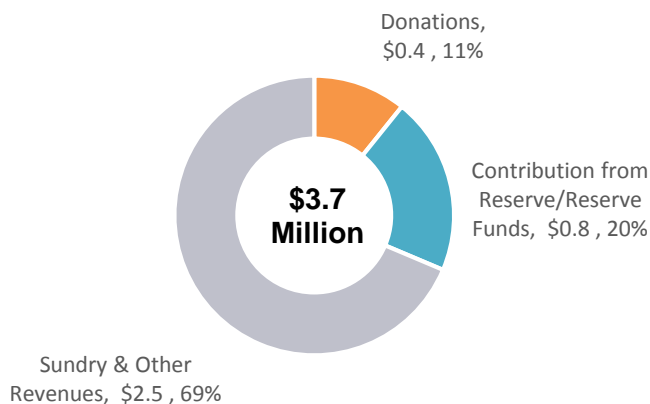
2017 Budget by Service



2017 Budget by Expenditure Category



Where the money comes from:



Our Key Issues & Priority Actions

- **Adapt to deliver programming GTHA-wide following additional Provincial endowment of \$17 million.**
 - Update the strategic plan for 2015-2020 to consider regional opportunities in addition to maintaining Toronto Specific Mandate.
 - The 2017 Preliminary Operating Budget includes new funding of \$1.064 million to enhance internal staff capacity and programming expenditures necessary to expand its mandate to GTHA.

- **Manage fundraising to expand various program deliverables. Funds will enable TAF to:**
 - Continue to develop and deliver high-quality, high-impact programs that attract partnerships and external revenues to support City and GTHA environment and energy objectives.
 - Prudently manage a diversified investment portfolio with Board and Investment Committee oversight, in addition to increasing fundraising initiatives to attract corporate investment, government and foundation investment.

2017 Operating Budget Highlights

- The 2017 Preliminary Operating Budget of \$3.710 million for Toronto Atmospheric Fund's Operating Budget is funded by investment income earned from its endowment fund and by attracting funding from external sources. TAF is not funded from the City's tax base.
- TAF received a new provincial endowment of \$17 million in November 2016 to expand its program mandate to operate throughout the Greater Toronto Hamilton Area (GTHA).
- New funding of \$1.064 million is included for expanded Program Delivery and to enhance internal staff capacity for the implementation of GTHA-wide programming.
- Staff complement increase by 2 from 2016 to 2017.

Actions for Consideration

Approval of the 2017 Preliminary Budget as presented in these notes requires that:

1. City Council approve the 2017 Preliminary Operating Budget for Toronto Atmospheric Fund of \$3.710 million gross, \$0 million net for the following services:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Toronto Atmospheric Fund:	<u>3,710.0</u>	<u>0</u>
Total Program Budget	<u>3,710.0</u>	<u>0</u>

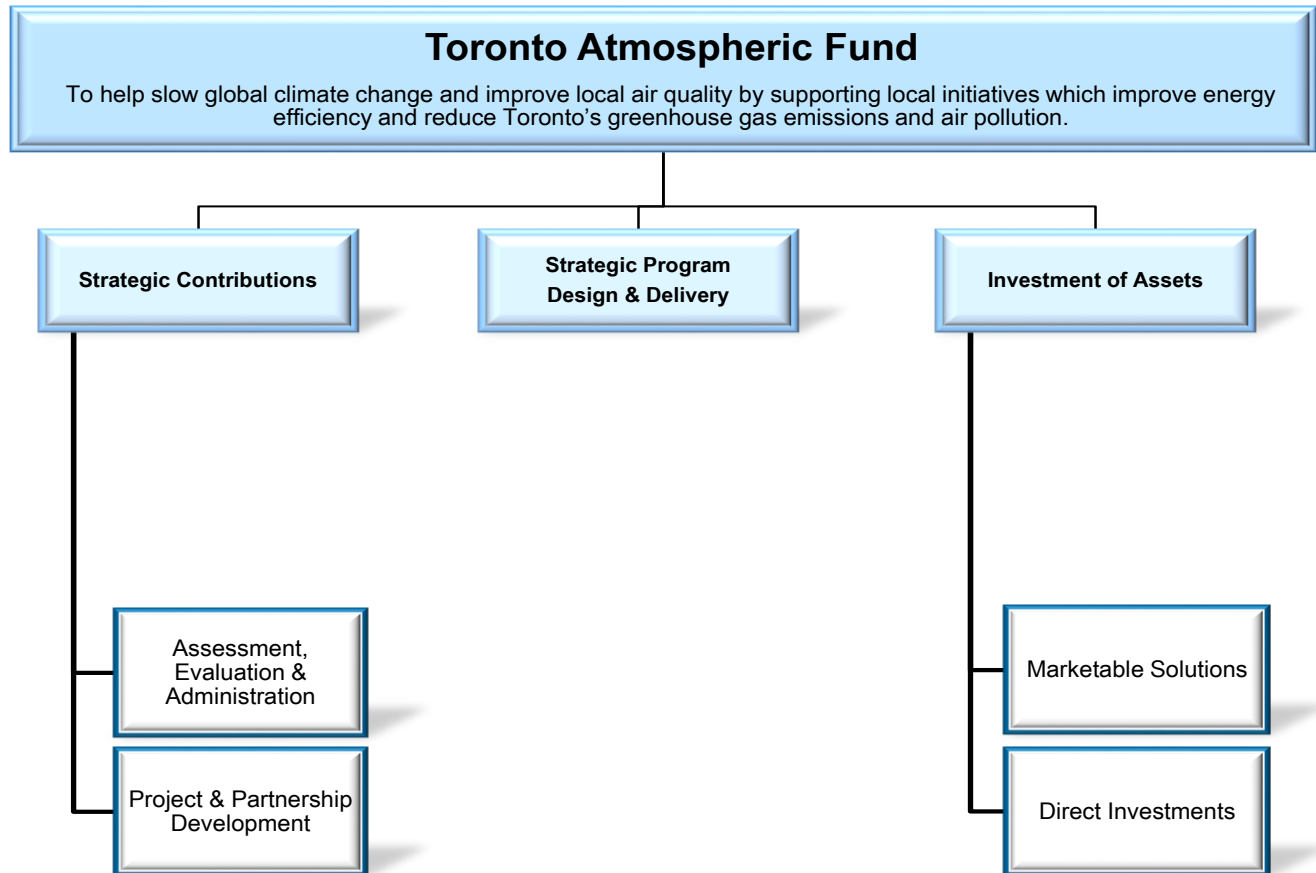
2. City Council approve the 2017 service levels for Toronto Atmospheric Fund as outlined on pages 6 of this report, and associated staff complement of 10 positions.



Part 1:

2017-2019 Service Overview and Plan

Program Map



Service Customer

Strategic Contributions

- Staff - City Divisions
- Staff - Agencies and Boards
- Non-Profit Organizations
- Public Sector Institutions
- Indirect (Beneficial)
- Residents
- Businesses
- Visitors

Strategic Program design & Delivery

- Staff - City Divisions
- Staff - Agencies and Boards
- High Rise Property Management
- Non-Profit Organizations
- Public Sector Agencies
- Fleet Managers & Suppliers
- Provincial & Federal Governments
- Indirect (Beneficial)
- Residents
- Businesses
- Visitors

Investment of Assets

- Staff - City Divisions
- Staff - Agencies and Boards
- Investment Managements
- Businesses with low-Carbon projects
- Provincial & Federal Governments
- Indirect (Beneficial)
- Residents
- Businesses
- Visitors

Table 1
2017 Preliminary Operating Budget and Plan by Service

(In \$000s)	2016		2017 Preliminary Operating Budget				Incremental Change				
	Budget	Projected Actual	Base	New/ Enhanced	Total Budget	2017 Preliminary vs. 2016 Budget Change		2018 Plan		2019 Plan	
By Service	\$	\$	\$	\$	\$	\$	%	\$	%	\$	%
Toronto Atmospheric Fund											
Gross Expenditures	2,612.0	2,612.0	2,646.0	1,064.0	3,710.0	1,098.0	42.0%	22.0	0.6%	23.4	0.6%
Revenue	2,612.0	2,612.0	2,646.0	1,064.0	3,710.0	1,098.0	42.0%	22.0	0.6%	23.4	0.6%
Total Net Expenditures								22.0			
Approved Positions	8.0	7.8	8.0	2.0	10.0	2.0	25.0%				

The Toronto Atmospheric Fund's 2017 Preliminary Operating Budget is \$3.710 million gross and \$0 million net, representing \$1.098 million or 42.0% increase to the 2016 Approved Gross Operating Budget.

- Base pressures are mainly attributable to inflationary increases of \$0.034 million in salary & benefits for cost of living allowance (COLA) and Progression Pay.
- The above pressures have been offset by the investment income (including revenues from investments in energy efficiency retrofit projects) and external fundraising.
- New and enhanced services include an increase of \$0.864 million for expanded program delivery such as, external lawyers, professionals, subject matter experts and grants to non-profit organizations, as well as 2 new permanent full time positions for \$0.200 million to expand TAF's mandate beyond Toronto to the GTHA. These costs will be fully offset by the additional investment income from the new provincial endowment fund.
- Approval of the 2017 Preliminary Operating Budget will result in Toronto Atmospheric Fund increasing its total staff complement by 2.0 positions from 8 to 10.
- The 2018 and 2019 Plan increases are attributable to the known the salary and benefit increases for COLA and Progression Pay.

The following graph summarizes the operating budget pressures for this Program.

Key Cost Drivers



**Table 2
Key Cost Drivers**

(In \$000s)	2017 Base Operating Budget		Total	
	Toronto Atmospheric Fund			
	\$	Position	\$	Position
Gross Expenditure Changes				
Salaries and Benefits				
COLA, Progression Pay and Benefits	34.0		34.0	
Total Gross Expenditure Changes	34.0		34.0	
Revenue Changes				
Increase in Investment Income	34.0		34.0	
Total Revenue Changes	34.0		34.0	
Net Expenditure Changes				

Key cost drivers for Toronto Atmospheric Fund are discussed below:

- Salaries and Benefits
 - The inflationary increase in salaries and benefits including COLA, progression pay and associated benefits. These costs have been offset by the investment income.
- Revenue Change
 - Revenue increase from the investment income and loan interest of \$0.034 million.

Table 4
2017 Preliminary New & Enhanced Service Priorities

Description (\$000s)	New/Enhanced		Total			Incremental Change			
	Toronto Atmospheric Fund				Position #	2018 Plan		2019 Plan	
	Gross	Net	\$ Gross	\$ Net		Net	Pos.	Net	Pos.
Enhanced Services Priorities									
<i>Increase in Program Delivery Expenditures</i>	864.0		864.0						
<i>GHG Quantification Manager</i>	100.0		100.0		1.0	2.0		2.0	
<i>Impact Investing Manager</i>	100.0		100.0		1.0	2.0		2.0	
Total	1,064.0		1,064.0		2.0	4.0		4.1	

Enhanced Service Priorities (\$1.064 million gross & \$0 million net)

Mandate Expansion to the GTHA

- On October 5, 2016 City Council adopted a report called "Transfer Payment Agreement for the Toronto Atmospheric Fund for a Provincial Endowment (EX17.6)" to accept the contribution of \$17 million from the Province of Ontario to TAF, and to expand TAF's mandate to operate throughout the Greater Toronto Hamilton Area.
- Any new and ongoing incremental operating costs (including program delivery, governance, staffing, administration and business expenses) of expanding TAF's mandate to the GTHA will be funded by the investment proceeds generated from the provincial endowment.
- The expanded mandate will require incremental Program Delivery Expenditures of \$0.864 million for the professional costs for external lawyers, accountants and subject matter experts and grant payments for qualified organizations and partners. This increase will be fully covered by the incremental investment income from the new provincial fund.

Additional positions to support GTHA mandate expansion

- Two new permanent full time positions will be required to support TAF's mandate expansion to the GTHA.
- The GHG Quantification Manger position will quantify the sources of Greenhouse Gas emissions in urban settings and opportunities for reduction and hence, to focus where TAF should invest its scarce resources to make the biggest impact to reduce GHG's.
- The Impact Investing Account Manager position will support the origination, underwriting, execution and stewardship of TAF's direct investments which will deliver both financial and environment return on investment.
- These two positions will cost a total of \$0.200 million which will also be fully funded by the investment income from the new provincial fund.

Approval of the 2017 Preliminary Operating Budget for Toronto Atmospheric Fund will result in an incremental \$0.022 million gross, \$0 net and \$0.023 million gross, \$0 net in 2018 and 2019, respectively, as discussed in the following section:

Table 5
2018 and 2019 Plan by Program

Description (\$000s)	2018 - Incremental Increase					2019 - Incremental Increase				
	Gross Expense	Revenue	Net Expense	% Change	Position	Gross Expense	Revenue	Net Expense	% Change	Position
Known Impacts:										
Salaries and Benefits										
COLA, Progression Pay and Benefits	22.0		22.0	0.6%		23.4		23.4	0.6%	
Sub-Total	22.0		22.0			23.4		23.4		
Anticipated Impacts:										
Other										
Projected Revenues		22.0	(22.0)	(0.6%)			23.4	(23.4)	(0.6%)	
Sub-Total		22.0	(22.0)				23.4	(23.4)		
Total Incremental Impact	22.0	22.0				23.4	23.4			

Future year incremental costs are primarily attributable to the following:

Known Impacts:

- The inflationary increase for Salary and Benefits for COLA and Progression Pay adjustments is \$0.022 million in 2018 and \$0.023 million in 2019.

Anticipated Impacts:

- Incremental revenues are projected to be \$0.022 million in 2018 and \$0.023 million in 2019 based on an increase in investment income and fundraising initiatives.



Part 3:

Issues for Discussion

Issues Impacting the 2017 Budget

Budget Reduction Target

- At its meeting on July 12, 2016, the "2017 Budget Process: Budget Directions and Schedule" staff report (EX16.37) was submitted for consideration and adopted by City Council regarding the establishment of the 2017 Budget Process and the scheduling of the review and approval of the Tax and Rate Supported 2017 Operating Budget and 2017-2026 Capital Budget and Plan for the City of Toronto.
(<http://www.toronto.ca/legdocs/mmis/2016/ex/bgrd/backgroundfile-94519.pdf>)
- City Council adopted an across the board budget reduction target of -2.6% net below the 2016 Approved Net Operating Budgets for all City Programs and Agencies utilizing strategies including but not limited to controlling expenditures through cost saving measures, and exploring all services for efficiency savings including opportunities from business process reengineering, streamlining, transformation and innovation to service delivery.
- The TAF's 2017 Preliminary Operating Budget is \$3.710 million gross and \$0 net. The expenditures are offset by the revenues from investment income and external fundraising initiatives.
- The increase of \$1.098 million from gross expenditures for new Program Delivery Expenditures and two new permanent positions result from the expansion of the TAF's mandate from Toronto Specific to operate throughout the Greater Toronto and Hamilton Area. The incremental expenditures are fully offset by the investment proceeds generated from the new provincial funding.

\$17 Million Provincial Fund and Program Mandate Expansion

- On February 25, 2016, the Province of Ontario announced a \$17 million contribution to TAF to broaden TAF's efforts in urban solutions to reduce greenhouse emissions in Greater Toronto and Hamilton Area.
- On October 5, 2016 City Council adopted a report called "*Transfer Payment Agreement for the Toronto Atmospheric Fund for a Provincial Endowment (EX17.6)*" to accept the contribution of \$17 million from the Province of Ontario to TAF.
- This new endowment capital will enable TAF to expand its successful model of innovating, demonstrating and de-risking urban climate solutions to the Greater Toronto and Hamilton Area (GTHA). TAF's mandate remains the same, which includes accelerating solutions related to the key sources of greenhouse gas emissions (buildings, transportation and waste) and investing in projects which deliver both financial and mandate-related returns.
- Any new and ongoing incremental operating costs (including program delivery, governance, staffing, administration and business expenses) of expanding TAF's mandate to the GTHA will be funded by the investment proceeds generated from the provincial endowment.
- The \$17 million strategic endowment from the Province of Ontario has been added to the original endowment that was provided by the City of Toronto in 1991, which increased the program's endowment capital to \$45 million. The new endowment is projected to add \$1.200 million to the Operating Budget annually.
- TAF's 2017 Preliminary Operating Budget includes the following incremental expenditures for implementing the expanded mandate to GTHA which will be fully offset by the anticipated investment proceeds from the new endowment fund:
 - An Increase of \$0.864 million in program delivery expenditures including grants to non-profit organizations and strategic programs, and administrative costs.
 - \$0.200 million to fund 2 new positions to support this expansion.



Appendices

Appendix 1

2016 Service Performance

Key Service Accomplishments

In 2016, Toronto Atmospheric Fund accomplished the following:

- ✓ Received \$17 million from the Province of Ontario (Province) following negotiation of a Transfer Payment Agreement (TPA) between the Province, the City and TAF, and implemented a separate fund accounting & other compliance requirements.
- ✓ Implemented energy efficiency retrofits in social housing (including 7 TCHC) and other buildings – all Energy Savings Performance Agreements (ESPA's) are all performing above projections. Commercialized an innovative retrofit financing mechanism for large buildings.
- ✓ Initiated leading-edge research on the viability and business case for heat pumps
- ✓ Promoted policies and programs to reduce GHG emissions from buildings, transportation and waste management.
- ✓ Initiated and implemented Transform TO in partnership with Energy & Environment Division to advance a roadmap for how the City can achieve its ambitious GHG reduction targets: 30% by 2020 and 80% by 2050.
- ✓ Provided an urban focus for Ontario's climate change plan
- ✓ Achieved an average return of 15.6% for the past three years on investment portfolio while maintaining compliance with the City-approved investment policy.
- ✓ Achieved exemplary return on an early stage investment in an innovative solar energy company.

Appendix 2

2017 Preliminary Operating Budget by Expenditure Category

Program Summary by Expenditure Category

Category of Expense (\$000's)	2014	2015	2016	2016	2017	2017 Change		Plan	
	Actual	Actual	Budget	Projected Actual *	Preliminary Budget	from 2016 Budget	%	2018	2019
	\$	\$	\$	\$	\$	\$		\$	\$
Salaries and Benefits	804.0	805.0	965.0	965.0	1,148.0	183.0	19.0%	1,170.0	1,193.0
Materials and Supplies							-		
Equipment							-		
Services & Rents							-		
Contributions to Capital							-		
Contributions to Reserve/Res Funds							-		
Other Expenditures	1,303.0	1,338.0	1,647.0	1,647.0	2,562.0	915.0	55.6%	2,562.0	2,562.0
Interdivisional Charges							-		
Total Gross Expenditures	2,107.0	2,143.0	2,612.0	2,612.0	3,710.0	1,098.0	42.0%	3,732.0	3,755.0
Interdivisional Recoveries							-		
Provincial Subsidies							-		
Federal Subsidies							-		
Other Subsidies							-		
User Fees & Donations							-		
Transfers from Capital Fund							-		
Contribution from Reserve/Reserve Funds							-		
Sundry Revenues	3,720.0	4,526.0	2,612.0	2,612.0	3,710.0	1,098.0	42.0%	3,732.0	3,755.0
Total Revenues	3,720.0	4,526.0	2,612.0	2,612.0	3,710.0	1,098.0	42.0%	3,732.0	3,755.0
Total Net Expenditures	(1,613.0)	(2,383.0)					-		
Approved Positions	8.0	8.0	8.0	7.8	10.0	2.0	25.0%	10.0	10.0

For additional information regarding the 2016 Q3 operating variances and year-end projections, please refer to the attached link for the report entitled "Operating Variance Report for the Nine-Month Period Ended September 30, 2016" considered by City Council at its meeting on December 13, 2016.

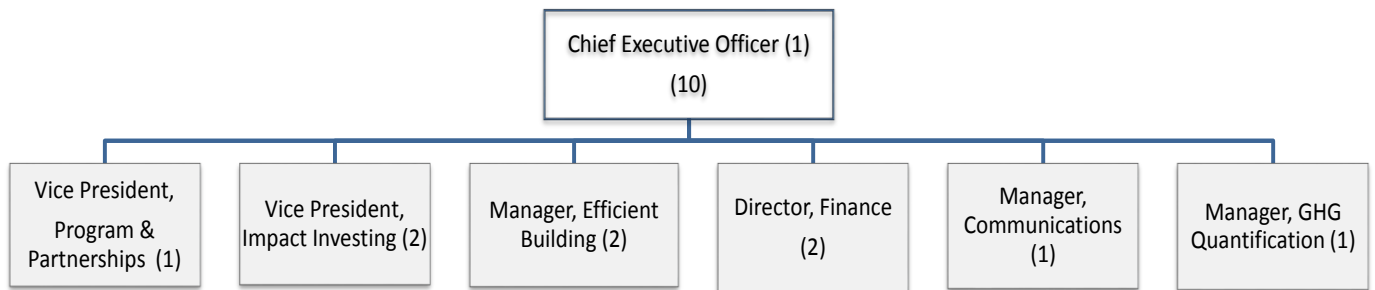
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX20.25>.

Impact of 2016 Operating Variance on the 2017 Preliminary Operating Budget

- There is no impact of the operating variance on the 2017 Preliminary Operating Budget for Toronto Atmospheric Fund.

Appendix 3

2017 Organization Chart



2017 Total Complement

Category	Senior Management	Management	Exempt Professional & Clerical	Union	Total
Permanent	1.0	8.0	1.0		10.0
Temporary					
Total	1.0	8.0	1.0		10.0