



REPORT FOR ACTION

2019 Interim Operating and Capital Estimates

Date: December 3, 2018
To: City Council
From: Chief Financial Officer
Wards: All

SUMMARY

The 2019 Operating and Capital Budgets are scheduled for Council approval in mid-March of 2019. The purpose of this report is to establish the 2019 Interim Operating and Capital Estimates in order to enable City Programs and Agencies to have the necessary spending authority to deliver current services, meet existing contractual commitments and to continue work on previously approved capital projects until the 2019 Operating and Capital Budgets are approved by City Council.

The 2019 Interim Operating Estimates are \$3.660 billion gross and require cash outflow funding of \$3.670 billion. The 2019 Interim Capital Estimates total \$1.634 billion and require debenture financing of \$511.9 million.

RECOMMENDATIONS

The Chief Financial Officer recommends that:

1. Council approve the 2019 Interim Operating Estimates totalling \$3.670 billion as detailed by City Program and Agency in Appendix 1 attached.
2. Council approve the 2019 Interim Capital Estimates totalling \$1.634 billion in gross expenditures and \$511.9 million in debt funding as detailed by City Program and Agency in Appendix 2 attached, with the balance financed by Provincial and Federal funding of \$332.2 million; Reserve funding of \$468.9 million; Development Charges funding of \$127.9 million and Third Party and Other funding of \$192.9 million.

FINANCIAL IMPACT

As shown in Table 1, the 2019 Interim Operating Estimates total \$3.660 billion in gross spending authority requiring estimated cash outflows of \$3.670 billion. Cash outflows for City Operations total \$1.779 billion, for City Agencies \$724.6 million, for Corporate Accounts \$574.4 million, and for Rate Programs \$592.4 million.

Table 1: 2019 Interim Operating Estimates

	Gross	Cash Out-Flow
Community and Social Services	1,170,524	1,170,524
Infrastructure and Development Services	381,829	390,610
Corporate Services	114,763	115,519
Finance and Treasury Services	31,133	31,133
City Manager	19,970	19,970
Other City Programs	50,556	47,262
Accountability Offices	3,351	3,523
Total - City Operation	1,772,125	1,778,539
Agencies	721,689	724,569
Corporate Accounts	574,481	574,481
Total - Tax Supported Programs	3,068,295	3,077,589
Total Rate Supported Programs	592,066	592,375
Total - All Programs	3,660,360	3,669,963

The 2019 Interim Capital Estimates provide spending authority to continue work on previously approved capital projects, cash flow funding for 2019 commitments and carry forward funding required to complete capital work undelivered in 2018. The 2019 Interim Capital Estimates total \$1.634 billion and are summarized in Table 2 below.

Table 2: 2019 Interim Capital Estimates

	Gross	Debt
Community and Social Services	200,611	79,060
Infrastructure and Development Services	374,629	227,378
Corporate Services	137,221	44,589
Finance and Treasury Services	8,435	6,287
Other City Programs	3,110	376
Total - City Operation	724,006	357,690
Agencies	507,671	154,172
Total Tax Supported Programs	1,231,677	511,863
Total Rate Supported Programs	402,209	
Total All Programs	1,633,885	511,863

These expenditures will be funded as follows:

- \$511.9 million in debt funding,
- \$332.2 million in Provincial/Federal funding,
- \$468.9 million in Reserve/Reserve funding,
- \$127.9 million in Development Charges funding, and
- \$192.9 million in Third Party and Other funding

DECISION HISTORY

City Council is required by December 31, 2018 to establish Interim Operating and Capital Budget Estimates to ensure that the City has spending authority to deliver current services and meet existing contractual commitments from January 1, 2019 to the date when the 2019 Operating and Capital Budgets are entered into the City's financial system.

Given that 2019 is the first budget year under the new term of Council, the operating budget will not be approved until March 2019, which is approximately one month later

than non - election years (March vs February). City staff generally recommend Interim Estimates at a higher rate (33% vs 25%) in the first year of a new term of Council to accommodate the longer interim period.

The City of Toronto Act, 2006 requires that the City annually adopt a budget including estimates of all sums required during the year for the purpose of continuing its business. The City's Financial Control By-Law specifies that Council must adopt an interim operating budget prior to the 1st day of January of the year in which the operating budget will be adopted.

COMMENTS

2019 Interim Operating Estimates

The Interim Operating Budget Estimates provide an interim budget to ensure that adequate spending authority is in place for all Programs and Agencies until such time that Council approves the annual budget. The 2019 Interim Operating Estimates are based on 2018 Approved Operating Budget as amended during the year and reported on October 22, 2018 and provide funding to maintain City's services and service levels.

Interim Estimates for City Operations and Corporate Accounts are based on 33 percent of the gross expenditure budget, while Interim Estimates for Agencies are calculated at 33 percent of the net budget to provide necessary cashflow funding to these entities. These estimates are subsequently adjusted to account for specific contractual agreements and contract awards that maintain ongoing operations. Agencies are only partially funded by the City and are able to cover the majority of their expenditures through its own receipts. For example, Toronto Transit Commission (TTC) funds approximately 70% of its expenditures from its own receipts, while Yonge and Dundas Square's expenditures are offset through user fees & donations, and do not require a 2019 Interim Budget from the City.

2019 Interim Capital Estimates

City Council's approval of the 2019 Interim Capital Estimates is required in order to provide necessary spending authority and cashflow funding to continue work for previously approved capital projects until the 2019-2028 Capital Budget and Plan is approved and established in the City's financial system.

This will enable staff to take full advantage of time-driven benefits, remove/mitigate health and safety risks and to proceed with capital activities for projects that must continue during the first four months of 2019.

City Programs and Agencies identified particular capital projects that require an Interim Capital Budget for the first four months of 2019 to permit the following:

- To continue work on previously approved urgent capital projects,
- To fulfill previously established contractual commitments, and

- To provide carry-forward funding for projects that are underway.

The 2019 Interim Capital Budget Estimates for City Programs and Agencies represent 28.1% of the 2018 Approved Capital Budget and gross expenditure.

It should be noted that no funding for new/enhanced services or new capital projects is included in the recommended 2019 Interim Estimates, as consideration for new funding is subject to the 2019 Budget process.

CONTACT

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SIGNATURE

Heather Taylor
Chief Financial Officer

ATTACHMENTS

Appendix 1 - 2019 Interim Operating Estimates
Appendix 2 - 2019 Interim Capital Estimates

Appendix 1:

2019 Interim Operating Budget Estimates

Programs / Agencies	2018 Gross Expenditures as at Oct. 22	2018 Net Expenditures as at Oct. 22	2019 Interim Budget		
			33% of Gross/Net Expenditure	Adjustments	Cash Out-Flow
Community and Social Services					
Affordable Housing Office	\$3,687.4	\$1,170.1	\$1,216.8		\$1,216.8
Children's Services	\$663,065.9	83,017.4	218,811.7		218,811.7
Court Services	\$50,454.8	1,607.0	16,650.1		16,650.1
Economic Development & Culture	\$81,057.8	69,745.6	26,749.1		26,749.1
Long-Term Care Homes & Services	\$262,615.8	49,835.5	86,663.2		86,663.2
Parks, Forestry & Recreation	\$465,731.7	323,487.3	153,691.5		153,691.5
Shelter, Support & Housing Administration	\$866,358.1	455,696.4	285,898.2		285,898.2
Social Development, Finance & Administration	\$56,685.4	39,669.8	18,706.2		18,706.2
Toronto Employment & Social Services	\$1,097,384.2	91,003.1	362,136.8		362,136.8
Toronto Paramedic Services	\$224,452.2	81,183.7	74,069.2		74,069.2
Sub-Total Community and Social Services	3,547,041.1	1,115,232.2	1,170,523.6	0.0	1,170,523.6
Infrastructure and Development Services					
City Planning	52,503.1	15,437.6	17,326.0		17,326.0
Fire Services	480,403.2	461,790.6	158,533.1		158,533.1
Municipal Licensing & Standards	57,139.9	20,201.0	18,856.2		18,856.2
Policy, Planning, Finance & Administration	23,931.6	9,207.0	7,897.4		7,897.4
Engineering & Construction Services	75,886.1	4,102.7	25,042.4		25,042.4
Toronto Building	56,465.4	(10,694.2)	18,633.6		18,633.6
Transportation Services	410,728.2	225,079.8	135,540.3	8,780.9	144,321.2
Sub-Total Infrastructure and Development Services	1,157,057.5	725,124.5	381,829.0	8,780.9	390,609.9
Corporate Services					
Facilities, Real Estate, Env & Energy	198,219.2	72,109.5	65,412.3		65,412.3
Fleet Services	58,033.1	164.6	0.0	7,301.4	7,301.4
311 Toronto	18,758.4	9,959.6	6,190.3		6,190.3
Information & Technology	130,788.2	76,825.4	43,160.1		36,614.8
Sub-Total Corporate Services	405,798.8	159,059.1	114,762.7	7,301.4	115,518.7
Finance and Treasury Services					
Office of the Chief Financial Officer	17,786.1	10,361.1	5,869.4		5,869.4
Office of the Treasurer	76,555.6	28,263.6	25,263.4		25,263.4
Sub-Total Finance and Treasury Services	94,341.7	38,624.7	31,132.8	0.0	31,132.8
City Manager					
City Manager's Office	60,513.8	49,981.9	19,969.5		19,969.5
Sub-Total City Manager	60,513.8	49,981.9	19,969.5	0.0	19,969.5
Other City Programs					
City Clerk's Office	63,620.3	32,319.3	20,994.7	(3,294.7)	17,700.0
Legal Services	63,888.7	19,602.0	21,083.3		21,083.3
Mayor's Office	2,274.6	2,274.6	750.6		750.6
City Council	23,417.1	20,620.1	7,727.7		7,727.7
Sub-Total Other City Programs	153,200.7	74,815.9	50,556.2	(3,294.7)	47,261.5
Accountability Offices					
Auditor General's Office	6,503.5	6,503.5	2,146.1		2,146.1
Integrity Commissioner's Office	517.6	517.6	170.8	36.2	207.0
Office of the Lobbyist Registrar	1,202.5	1,202.5	396.8		396.8
Office of the Ombudsman	1,931.7	1,931.7	637.5	135.2	772.7
Sub-Total Accountability Offices	10,155.3	10,155.3	3,351.2	171.5	3,522.7
TOTAL - CITY OPERATION	5,428,108.9	2,172,993.6	1,772,125.0	12,959.0	1,778,538.7

Appendix 1:

2019 Interim Operating Budget Estimates

Programs / Agencies	2018 Gross Expenditures as at Oct. 22	2018 Net Expenditures as at Oct. 22	2019 Interim Budget		
			33% of Gross/Net Expenditure	Adjustments	Cash Out-Flow
Agencies					
Toronto Public Health	253,775.5	63,796.7	83,745.9		83,745.9
Toronto Public Library	201,716.7	182,393.0	60,189.7		60,189.7
Association of Community Centres	8,329.8	8,027.1	2,649.0		2,649.0
Exhibition Place	55,110.6	(150.0)	(49.5)		(49.5)
Heritage Toronto	1,094.3	422.9	139.6		139.6
Theatres	34,683.7	5,274.5	1,740.6		1,740.6
Toronto Zoo	52,493.0	12,483.8	4,119.6	2,880.4	7,000.0
Arena Boards of Management	9,044.7	30.6	10.1		10.1
Yonge-Dundas Square	3,106.5	(0.0)	(0.0)		(0.0)
CreateTO	11,434.0	0.0	0.0		0.0
Toronto & Region Conservation Authority	45,631.0	3,650.3	1,204.6		1,204.6
Toronto Transit Commission - Conventional	1,826,421.4	578,841.8	191,017.8		191,017.8
Toronto Transit Commission - Wheel Trans	152,055.2	143,424.1	47,330.0		47,330.0
Toronto Police Service	1,136,376.3	996,452.4	328,829.3		328,829.3
Toronto Police Services Board	3,434.1	2,309.1	762.0		762.0
Toronto Atmospheric Fund	4,400.0	0.0	0.0		0.0
SUB-TOTAL - AGENCIES	3,799,106.8	1,996,956.3	721,688.6	2,880.4	724,568.9
Corporate Accounts					
Capital Financing - Capital from Current	353,462.2	353,462.2	116,642.5		116,642.5
Technology Sustainment	19,911.6	19,911.6	6,570.8		6,570.8
Debt Charges	603,870.9	556,041.5	199,277.4		199,277.4
Capital & Corporate Financing	977,244.7	929,415.3	322,490.8	0.0	322,490.8
Non-Program Expenditures					
Tax Deficiencies/Write-offs	90,079.4	82,383.3	29,726.2		29,726.2
Tax Increment Equivalent Grants (TIEG)	37,018.8	37,018.8	12,216.2		12,216.2
Assessment Function (MPAC)	44,040.0	44,040.0	14,533.2		14,533.2
Funding of Employee Related Liabilities	70,828.6	70,828.6	23,373.4		23,373.4
Other Corporate Expenditures	70,872.8	27,726.0	23,388.0		23,388.0
Insurance Premiums & Claims	300.0	300.0	99.0		99.0
Parking Tag Enforcement & Oper.	72,203.6	72,203.6	23,827.2		23,827.2
Programs Funded from Reserve Funds	146,004.9	0.0	48,181.6		48,181.6
Heritage Property Taxes Rebate	1,750.0	1,750.0	577.5		577.5
Tax Rebates for Registered Charities	5,502.3	0.0	1,815.8		1,815.8
Solid Waste Management Rebates	144,301.9	144,301.9	47,619.6		47,619.6
Non-Program Expenditures	682,902.3	480,552.2	225,357.8	0.0	225,357.8
Non-Program Revenues					
Interest/Investment Earnings	6,938.5	(104,279.0)	2,289.7		2,289.7
Other Corporate Revenues	1,323.8	(12,018.7)	436.9		436.9
Dividend Income	5,000.0	(85,000.0)	1,650.0		1,650.0
Municipal Land Transfer Tax	47,721.4	(770,000.0)	15,748.1		15,748.1
Third Party Sign Tax	1,153.7	(10,742.5)	380.7		380.7
Municipal Accommodation Tax	18,567.0	(16,100.0)	6,127.1		6,127.1
Non-Program Revenues	80,704.5	(998,140.2)	26,632.5	0.0	26,632.5
TOTAL - CORPORATE ACCOUNTS	1,740,851.6	411,827.3	574,481.0	0.0	574,481.0
TOTAL - TAX SUPPORTED PROGRAMS	10,968,067.3	4,581,777.2	3,068,294.6	15,839.4	3,077,588.6
Rate Supported Programs					
Solid Waste Management Services	405,188.8	0.0	133,712.3		133,712.3
Toronto Parking Authority	99,662.1	(66,538.2)	32,888.5	309.3	33,197.8
Toronto Water	1,289,287.0	0.0	425,464.7		425,464.7
TOTAL - RATE SUPPORTED PROGRAMS	1,794,137.9	(66,538.2)	592,065.5	309.3	592,374.8
TOTAL - TAX & RATE SUPPORTED OPERATIONS	12,762,205.2	4,515,239.0	3,660,360.1	16,148.7	3,669,963.5

Appendix 2:

2019 Interim Capital Budget Estimates

City Programs/Agencies	Previously Approved Projects		Council Approved Commitments to April 30, 2019*		2018 Carry Forward (to complete before April 30, 2019)		Total 2019 Recommended Interim Estimates	
	Gross	Debt	Gross	Debt	Gross	Debt	Gross	Debt
Community and Social Services								
Children's Services	6,441				1,319		7,760	
Economic Development and Culture	5,637	2,637			6,525	2,461	12,162	5,098
Long Term Care Homes & Services	2,813	1,350			2,136	724	4,949	2,074
Parks, Forestry & Recreation	46,059	16,764			12,431	1,459	58,490	18,222
Shelter, Support & Housing Administration	88,118	30,414			25,673	21,587	113,791	52,001
Toronto Employment & Social Services	1,207				373		1,579	
Toronto Paramedic Services	680	565			1,200	1,100	1,880	1,665
Sub-Total - Community and Social Services	150,954	51,730			49,657	27,331	200,611	79,060
Infrastructure and Development Services								
City Planning	2,228	1,346					2,228	1,346
Fire Services	1,848	353			1,938	809	3,786	1,162
Transportation Services	257,581	213,931			31,563	1,994	289,144	215,925
Waterfront Revitalization Initiative	1,836	695			77,635	8,251	79,471	8,946
Sub-Total - Infrastructure and Development Services	263,493	216,324			111,136	11,054	374,629	227,378
Corporate Services								
311 Toronto	660	660			974	250	1,633	910
Facilities Management, Real Estate & Environment			44,076	28,164	45,242	8,734	89,317	36,898
Fleet Services			22,471		12,750		35,220	
Information & Technology	7,759	5,406			3,291	1,375	11,050	6,781
Sub-Total - Corporate Services	8,419	6,066	66,546	28,164	62,256	10,359	137,221	44,589
Finance and Treasury Services								
Financial Services	856	482			7,579	5,805	8,435	6,287
Sub-Total - Finance and Treasury Services	856	482			7,579	5,805	8,435	6,287
Other City Programs								
City Clerk's Office	537	257			923	119	1,460	376
Corporate Initiatives	1,650						1,650	
Sub-Total - Other City Programs	2,187	257			923	119	3,110	376
Total - City Operation	425,909	274,858	66,546	28,164	231,551	54,668	724,006	357,690
Agencies								
Exhibition Place	745	745					745	745
Sony Centre (Hummingbird)	192	192			1,021	1,021	1,213	1,213
Toronto Police Service					4,455	3,447	4,455	3,447
Toronto Public Health	694	694			660	660	1,354	1,354
Toronto Public Library	8,548	7,076					8,548	7,076
Toronto Zoo	700	700			1,277	1,277	1,977	1,977
Scarborough Subway Extension	28,000						28,000	
Toronto Transit Commission	373,860	60,774			67,653	67,653	441,513	128,427
Transit Studies	19,767	9,884			99	50	19,866	9,933
Sub-Total - Agencies	432,506	80,065			75,165	74,108	507,671	154,172
Total - Tax Supported Programs	858,415	354,923	66,546	28,164	306,716	128,776	1,231,677	511,863
Rate Supported Programs								
Solid Waste Management			28,687		20,540		49,227	
Toronto Parking Authority					41,513		41,513	
Toronto Water	287,456		22,890		1,123		311,469	
Total - Rate Supported Programs	287,456		51,577		63,176		402,209	
Total - All Programs	1,145,871	354,923	118,123	28,164	369,891	128,776	1,633,885	511,863