



REPORT FOR ACTION

2019 Budget Process and Schedule

Date: December 10, 2018
To: Striking Committee
From: Chief Financial Officer
Wards: All

SUMMARY

The purpose of this report is to provide to City Council an overview of the 2019 Budget process and schedule to review and approve the Tax and Rate Supported 2019 Operating Budget and 2019 – 2028 Capital Budget and Plan for the City of Toronto.

In compliance with the City of Toronto Act (CoTA) 2006, subsection 228(1), the 2019 Budget process and schedule fulfill the City's requirement to "prepare and adopt a budget including estimates of all sums required during the year for the purpose of operating the business of the City", and subsection 228(2) "a budget for a year immediately following a year in which a regular election is held may only be adopted in the year to which the budget applies".

To account for the 2018 municipal election, the 2019 Budget process has been modified to enable both the Tax and Rate Supported 2019 Operating and 2019 - 2028 Capital Budget and Plan to be approved by March 7, 2019. Every effort has been made to ensure sufficient time is dedicated to facilitate a transparent and accessible budget process that will provide the opportunities and relevant information necessary for the public to provide its input and for members of the Budget Committee, Executive Committee and City Council, to review, recommend and approve the allocation of resources to City services and capital investments that most cost-effectively meet the needs of the public and advance Council priorities and outcomes.

The 2019 Budget will be launched on January 28, 2019, with the month of February primarily dedicated to Budget Committee's review and deliberations of the 2019 Budget. Two days are set aside for Budget Committee Program and Agency briefings, questions and any subsequent requests for information; two days and four locations are scheduled across the City for public input; two days are provided for Budget Committee deliberations: the first to review Budget Briefing Notes, reports and matters referred to the budget process and the latter to consider motions and its final recommendations to Executive Committee. Executive Committee's consideration of the Budget Committee Recommended 2019 Budget will take place on March 4, 2019 followed by Council's consideration and approval on March 7, 2019.

RECOMMENDATIONS

The Chief Financial Officer recommends that:

1. City Council receive this report for information.

FINANCIAL IMPACT

There is no financial impact arising from the adoption of this report.

DECISION HISTORY

The City of Toronto Act (CoTA) 2006, subsection 228(1) specifies that, "For each year, the City shall in the year or the immediately preceding year prepare and adopt a budget including estimates of all sums required during the year for the purposes of operating the City, including:

- (a) amounts sufficient to pay all debts of the City falling due within the year;
- (b) amounts required to be raised for sinking funds or retirement funds; and
- (c) amounts required for any board, commission or other body."

The CoTA, subsection 229(1) also permits City Council to prepare and adopt a budget covering a period 2 to 5 years duration provided that it is reviewed and confirmed on an annual basis within the multi-year planning period.

In non-election years, the Rate Supported Operating Budgets and 10-Year Capital Budget and Plan for Solid Waste Management Services, Toronto Water, and the Toronto Parking Authority are launched in late October or early November and are approved by City Council in mid-December before the budget year, so that the rates charged for these services can be set to be effective January 1.

In years other than election years, the Tax Supported Operating Budgets and 10-Year Capital Budget and Plan are launched at the end of November and are approved by City Council in late January or early February as close to the end of the fiscal year as possible to ensure that as much of the fiscal year is available to achieve best pricing from early contract awards, to maximize the construction season, and to implement service adjustments.

Despite the above subsection 228(1), the City of Toronto Act (CoTA), sub-section 228(2) specifies that "a budget for a year immediately following a year in which a regular election is held may only be adopted in the year to which the budget applies."

During an election year, the incoming City Council must approve a budget process and schedule that facilitates the review and adoption of both the Rate and Tax Supported Operating Budgets and 10-Year Capital Budget and Plan together. As a

result, the timing of the budget process is delayed until the new fiscal year after Committees have been struck and is constrained by the need for City Council approval of the budget no later than April 10th (in any given year) to ensure sufficient time is available to prepare final tax bills.

For that reason, the budget process following an election year is typically modified or accelerated to accommodate these various requirements while ensuring that the requisite Committee Review process and public deputation activities occur to maintain best budget practices for the City of Toronto.

COMMENTS

Financial Planning and Management Principles

The following principles guide the City's planning, approval and management of public resources:

- As the financial stewards of public resources, City Council is accountable to the public for the efficient and effective allocation of resources to fund services and infrastructure to meet the needs of its residents, businesses and visitors and to achieve its annual and multi-year goals, priorities and outcomes.
- The Budget is the primary financial policy document by which City Council appropriates funds and provides staff with the spending authority to achieve the appropriated funds' intended purpose. Any changes to the value or purpose of those appropriated funds require City Council approval.
- The Budget serves as the basis of financial accountability. The City must have transparent and accountable practices in place that command the trust and confidence in the use and management of public resources.

Multi-Year Capital and Service-Based Budgeting

The City of Toronto Act, 2006 permits City Council to adopt a multi-year budget from a 2 to 5 year duration provided that the budget is reviewed and confirmed annually within the multi-year planning period. Staff prepare and City Council approves a 1-Year Operating Budget with a 2-Year Plan and a 1-Year Capital Budget with an accompanying 9-Year Plan. The City's multi-year budgets support a longer-term focus on the allocation of resources required to deliver the programs and services needed by the community and to accomplish City Council's goals, priorities and outcomes in a more financially sustainably manner.

Since 2009, City Council has approved a firm 10-Year Capital Budget and Plan that authorize capital project costs with the appropriation of funds for the current year (the capital budget), commitments for future year funding for multi-year projects and planned project estimates in future year projects based on debt affordability. The 10-

Year Capital Plan is reaffirmed each year within the multi-year planning period to appropriate funds.

Approval of 10-Year Capital Budget and Plan by City Council provides staff with certainty about the timing of projects; spending authority for the current year; and authority to commit future year cash flow funding. In addition, a firm 10-Year Capital Plan based on annual debt affordability target and a focus on how investments address the City's backlog on State of Good Repair (SOGR) while balancing service improvement and growth projects that contribute to City building objectives.

Over the past four years, the City has increasingly focused its Operating Budget deliberations on the services and service levels provided to the public. Since 2014, City Council has approved an annual Operating Budget that has transitioned away from a traditional expenditure view to a service view that provides service-based financials, service levels and performance metrics organized according to Program Maps that articulate the services and activities delivered by each City Program and Agency. Service-based budgeting provides clarity and accountability for the allocation and management of resources to the over 150 unique municipal services currently offered by the City.

Equity Responsive Budgeting and Impacts

Since the 2017 Budget process, the City of Toronto has taken a phased approach to equity responsive budgeting, with a focus on the application of an equity lens to analyze the potential positive and negative equity impacts of budget proposals and thereby support Council's decision-making.

- For the 2017 Budget process, an External Review Panel, comprised of academics and community members with equity expertise, analyzed and reported on the potential equity impacts of proposed service changes.
- During the 2018 Budget process, all City Programs and Agencies were directed to apply the Equity Lens to all proposed changes (efficiencies, reductions, new and enhanced) in their 2018 Operating Budgets. The application of the Equity Lens enabled potential equity impacts to be identified and an Equity Impact Statement was included in the appendices of the City Program and Agency Operating Budget Notes.
- For the 2019 Budget process, priority was given to increasing staff capacity to conduct an equity impact analysis and incorporating Equity Impact Statements in the City Program and Agency Budget Notes. The primary focus of the analysis will remain on changes in the Operating Budget (efficiencies, reductions, new and enhanced service priorities).

As the City continues to mature its effort to integrate equity impact analysis into the annual budget process, City Council will increasingly be provided with better information in assessing the equity impacts of budgetary and policy decisions and making informed decisions.

Public Education and Participation

The City's annual budget process is designed to give the public the opportunity to provide its input into the budgetary decision-making process. Meetings will be located in various areas of the City, with day and evening times scheduled in an effort to offer maximum access to the budget process. In many instances, the public's input has resulted in changes to the budget.

The City is committed to providing an accessible environment in which all members of the public have access to the City's services and programs in a way that respects for the dignity and independence of people with disabilities. With advance notice, City staff can arrange for special assistance to accommodate any people with disabilities who want to be involved in the budget process.

Individual City Councillors may also hold town hall meetings in their respective wards to encourage public participation in the annual budget process and as a means to provide the public with a better understanding of the budget and its issues and the Councillor with input on ward priorities. Individual City Councillors are provided with information tool kits and are supported by City Financial Planning staff.

The City has placed additional attention and effort in providing information that educates and informs the public about the City's capital and operating budgets and decision-making process, its services, issues, challenges and key priorities. The following list outlines the various means and types of information the public can access:

- The City's Budget website has been oriented to a service view to enhance public understanding of the budget process and the information used to support decision-making.
- An array of communications tools are offered, including whiteboard animation and YouTube videos that explain key service/budgetary issues facing the City in a particular year and how to participate in the budget process; Budget Basic Publications, Infographics for major City services as well as social media accounts have all been developed with the purpose of making the City's budget process more transparent, understandable, and accessible to the public.
- Budget Notes (that for 2019, will consolidate both Operating and Capital Budget information into one document) are prepared for each City Program and Agency. The Budget Notes are available on the City's Budget website the day of Budget Launch and provide summary and detailed information about the recommended service and capital priorities, budgets and plans; service levels and changes; service and capital performance; and associated service and capital issues.
- Budget Briefing Notes are prepared to provide additional summary analysis on corporate and City Program/Agency-specific topics or as requested by Committee to address requests for specific information. These are posted on the City Clerk's and Budget websites.

- All presentations made by staff of the City-wide Operating and Capital Budget and Plan at each key decision-making stage of the budget process (Staff Recommended Budget to Budget Committee; Budget Committee Recommended Budget to Executive Committee and Executive Committee Recommended Budget to City Council) as well as Program/Agency presentations during Budget Committee reviews are all posted on the City's 2 websites and made available to the public.

Accessible Information

As highlighted above, the City prepares and distributes an array of budget information during the budget process, all of which is distributed to City Councillors and made available to the public in Committees, on the City Clerk's agenda as well as the City's Budget Website at www.toronto.ca/budget. The budget information is easily available and accessible, comprehensive and AODA compliant.

Transparent Decision-Making Process

The City provides public notice of all budget meetings in 15 newspapers and in 10 languages. All decision-making during the budget process is documented and made available by the City Clerk and is posted on both the City Clerk and Budget websites. Staff prepare wrap-up notes that document actions requested and taken at Budget Committee meetings which are distributed and posted on the City's Budget Website.

2019 Budget Process and Schedule

In accordance with CoTA, the annual budgets must be approved by City Council in the budget year, following an election. This requires an accelerated budget process to ensure timely approval of all Tax and Rate Supported Operating and Capital Budgets and Plan. The 2019 Budget process is designed to obtain City Council approval of the 2019 Budgets by March 7, 2019.

While the 2019 Budget process has been modified and simplified to meet the timelines, every effort has been made to ensure that a transparent and effective budget process is maintained.

The Administrative Review stage of the process required all City Programs and Agencies to submit their respective 2019 Operating Budget and 2019 – 2028 Capital Budget and Plan requests to the Financial Planning Division (FPD) for review, analysis and recommendation to the Senior Leadership Team comprised of the City Manager, the Chief Financial Officer and the Deputy City Managers. The administrative review and deliberations culminated in a Staff Recommended 2019 Operating Budget and 2019 - 2028 Capital Budget and Plan ready for the public launch of the 2019 Budget process outlined below.

Public Budget Launch: January 28, 2019

- Senior staff will present the 2019 Staff Recommended Operating Budget and 2019 - 2028 Staff Recommended Capital Budget and Plan to Budget Committee. This meeting officially launches the beginning of the Committee Review process.
- Budget Committee members and visiting City Councillors will have an opportunity to question staff on the presentations made regarding the Staff Recommended Budget as a whole. City Program/Agency-specific questions are intended to be addressed at Budget Committee meetings scheduled specifically for City Program/Agency budget briefings and review, as noted below.
- The Clerk and Budget Websites will be live at the beginning of the this meeting and the Budget presentations, Budget Notes for each City Program/Agency as well as other budget communication information will be posted on the City's Budget Website to ensure availability to City Councillors and the public.

City Program and Agency Budget Briefings: February 4 and 6, 2019

Two days have been scheduled to provide Budget Committee members as well as visiting City Councillors with the opportunity for a more detailed briefing on City Program and Agency Staff Recommended Budget, with emphasis being placed on those key public-facing service and agency areas with significant pressures and issues as well as the budget requests from the Accountability Officers.

All key staff will be available over the two days to answer questions from Budget Committee members and visiting City Councillors to ensure a more detailed understanding of the City Program/Agency services and service levels, service challenges, performance and issues, as well as the recommended infrastructure investments included in the 10-Year Capital Plan and any associated capital issues, as presented in the Budget Notes.

Should visiting Councillors or Budget Committee members require additional information and analysis regarding corporate or Program/Agency-specific issues then Budget Briefing Notes may be requested through the Committee for consideration at the Budget Committee's first Wrap-Up meeting.

A schedule will be established that details which City Programs and Agencies will be considered in each of the 2 days. Budget Committee on January 28, 2019 at the Public Launch will confirm which Program and Agencies will provide presentations

Town Hall Meetings: January 29 through March 6, 2019

At any time during the Committee Review process, City Councillors may hold town hall meetings in their ward to educate constituents and receive their input on the 2019 Staff Recommended Budget. Financial Planning Division staff prepare tool kits For City Councillors to assist their offices with this event and can attend to make presentations or support question periods.

Public Presentations: February 7 and 11, 2019

The Budget Committee, on behalf of Executive Committee, will hold formal meetings / hearings to receive public deputations regarding community needs, priorities and challenges on matters and issues of interest and will take into account the feedback provided by the public in its deliberations of the 2019 Staff Recommended Budget.

The public presentations will take place on February 7 and 11, 2019 in four different locations in order to provide the public with the opportunity for input/response to the 2019 Staff Recommended Budget. Budget Committee members and visiting City Councillors may question deputants and Committee members may subsequently request additional information from staff regarding any issues raised during these meetings. In the past, public deputation meetings have occurred at City Hall as well as various Civic Centres in the Community Council boundaries. The locations for 2019 will be determined by the Budget Committee Chair, together with its members.

Budget Committee Wrap-Up: February 13, 2019

At this meeting, Budget Committee will consider Budget Briefing Notes and supplementary reports to address additional inquiries and to support the decision making process. Budget Committee members may table motions that amend the 2019 Staff Recommended Budget and forward these and any outstanding reports for consideration at its final wrap-up meeting.

Budget Committee Final Wrap-Up: February 20, 2019

This is the final meeting of Budget Committee's deliberations on the 2019 Staff Recommended Budget. At this meeting, the Committee will review any subsequent Budget Briefing Notes or other responses to additional City Program/Agency information requests; consider motions that may amend the 2019 Staff Recommended Budget or that provide further advice to Executive Committee. At this meeting, Budget Committee will finalize its review and establish the Budget Committee Recommended Operating Budget and 10-Year Capital Budget and Plan to be considered by Executive Committee.

The Budget Committee recommends a balanced 2019 Operating Budget and 10-Year Capital Budget and Plan to Executive Committee that align resources to City Council priorities, highlight expected results and outcomes, and incorporate sustainable funding strategies within the City's debt and tax affordability framework.

Financial Planning staff are requested to prepare, on behalf of Budget Committee, a corporate report reflecting Budget Committee's Recommended 2019 Operating Budget with an updated 2 year Plan and the 2019 - 2028 Capital Budget and Plan, for submission to Executive Committee.

Executive Committee Review: March 4, 2019

At this meeting, Executive Committee will receive and review the Budget Committee Recommended 2019 Operating Budget and 2019 - 2028 Capital Budget and Plan.

Executive Committee's deliberations will focus on any major fiscal, tax and policy issues and will confirm that the budget, as Council's strategic financial plan, will implement City Council policies and priorities

Executive Committee recommends the 2019 Operating Budget and 10-Year Capital Budget and Plan to City Council.

City Council Review and Approval: March 7, 2019

This is the final step in the 2019 Budget process. This meeting is scheduled for City Council's deliberations and approval of the Tax and Rate Supported 2019 Operating Budget and 2019 - 2028 Capital Budget and Plan for the City of Toronto.

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SIGNATURE

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ATTACHMENTS

Appendix 1 – 2019 Budget Process Schedule Summary

Appendix 1

2019 Budget Process Schedule



Activity	Rate and Tax Supported Programs/Agencies
Public Budget Launch to Budget Committee	January 28, 2019
City Program/Agency Budget Briefings to Budget Committee	February 4 and 6, 2019
Public Presentations to Budget Committee	February 7 and 11, 2019
Budget Committee Wrap-Up	February 13, 2019
Final Budget Committee Wrap-Up	February 20, 2019
Special Executive Committee	March 4, 2019
Special City Council	March 7, 2019