

2021 Budget Notes

CreateTO

BU22.2

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Description

As the City of Toronto's real estate agency, CreateTO manages the City's real estate portfolio, develops City buildings and lands for municipal purposes and delivers client-focused real estate solutions to City divisions, agencies and corporations.

Why We Do It

Toronto has more than 8,000 properties within its real estate portfolio. CreateTO, working together with the City's Corporate Real Estate Management (CREM) division, is continually looking for new and better ways to use those assets and deliver value to the City (e.g. through the delivery of City-building initiatives such as affordable housing, transit-oriented developments, new park space, and supporting City service delivery.)

As part of the centralized City-wide real estate model, the agency is a steward of the City's real estate assets. The agency leverages its real estate expertise to lead a City-wide real estate strategy, identify opportunities to modernize and harmonize operations, drive service delivery for programs, and maximize real estate value in the pursuit of social, economic, environmental, and program benefits.

The City of Toronto aims to deliver these outcomes equitably, efficiently and with excellent customer service to help improve the lives of Torontonians and work to earn their trust and confidence.

What Service We Provide

Service 1: Real Estate Advisory Services

Who We Serve: Mayor's Office, City Council, City Divisions, Agencies and Corporations and Community Members

What We Deliver: Develop and recommend strategies and plans for the City's real estate portfolio, including specific asset classes and properties.

How Much Resources (gross operating budget): \$4.93 million

Service 2: Real Estate Development Services

Who We Serve: Mayor's Office, City Council, City Divisions, Agencies and Corporations, Community Members, Real Estate and Land Developers and Corporations and Businesses

What We Deliver: Develop, facilitate development and/or provide advice to City divisions, agencies & corporations concerning the development of City lands

How Much Resources (gross operating budget): \$6.40 million

Service 3: Port Lands Asset Management

Who We Serve: Mayor's Office, City Council, City Divisions, Agencies and Corporations, Community Members, Real Estate and Land Developers and Corporations and Businesses

What We Deliver: Manage lands, leases, other interests in lands, and other assets owned by the Toronto Port Lands Company

How Much Resources (gross operating budget): \$3.27 million

Budget at a Glance

2021 OPERATING BUDGET				2021 - 2030 10-YEAR CAPITAL PLAN			
\$Millions	2021	2022	2023	\$Millions	2021	2022-2030	Total
Revenues	\$ 14.6	\$ 14.3	\$ 14.6	CreateTO has no capital budget.			
Gross Expenditures	\$ 14.6	\$ 14.3	\$ 14.6				
Net Expenditures	\$ 0.0	\$ 0.0	\$ 0.0				
Approved Positions	69.0	69.0	69.0				

How Well We Are Doing

Performance measures

CreateTO is working with City staff to identify and establish key service levels and performance measures, which will be finalized in 2021 and reported through the 2022 Budget process. In 2021, the Agency will focus on identifying and measuring against defined metrics, taking a system-wide approach to a performance measure framework.

Our performance measures framework will include metrics regarding:

- Creating Complete Communities;
- Asset Stewardship and Driving Efficiency; and
- Partnerships and Stakeholder Engagement

COVID-19 IMPACT AND RECOVERY

2020 Impact	2021 Impact and Recovery
Financial Impact (Operating) <ul style="list-style-type: none"> • All partners/consultants/planning department/proponents were negatively impacted by COVID19 which leads to overall project delays that are difficult to quantify. 	Financial Impact (Operating) <ul style="list-style-type: none"> • N/A

EXPERIENCES, CHALLENGES AND PRIORITIES

Our Experience and Success

- **Housing Now:** To date, CreateTO along with our City partners have identified 17 sites, which will deliver approximately 4,667 affordable rental units in the City of Toronto.
- **Modular Housing:** CreateTO along with our City partners delivered 100 modular housing units in 2020.
- **ModernTO:** CreateTO continued to advance the City's office optimization strategy, and obtained Executive Committee approval for the ModernTO Implementation plan.
- **City Building:** CreateTO continued to advance projects such as, the Etobicoke Civic Centre, Rail Deck Park and 260 Adelaide.
- **Port Lands Development:** CreateTO continued to work with Waterfront Toronto on the handover of property to enable the Port Lands Flood Protection project while focussing on growth of rental revenue from its remaining land holdings and supporting the further development of the Port lands film industry.

Key Challenges and Risks

- **Financial Sustainability:** Establish and adopt a new, sustainable financial model for CreateTO that reflects its city-building mandate.
- **Data Management Access:** Access, develop and consolidate Real Estate data to yield meaningful insights for improved asset management and decision making.

Priority Actions

- **Deliver Affordable Housing:** Continue to work with our City partners to create and advance solutions that meet the vital housing needs of Torontonians. In particular, CreateTO will continue to execute the Housing now and Modular Housing mandates by moving sites through the due diligence process, the marketing process as applicable, and by continuing to identify additional sites to support these key initiatives.
- **Portfolio Strategy:** Advance the City-wide Portfolio Strategy and associated asset strategies. In particular, CreateTO will continue to advance the Office Optimization Strategy (ModernTO), the Industrial Yards Consolidation Strategy and begin work analyzing the Parking portfolio.
- **Facilitate City Building:** Continue to leverage Toronto's real estate portfolio to create new and better opportunities for the benefit of the City and its residents. In particular CreateTO will continue to advance projects such as, the Etobicoke Civic Centre, Rail Deck Park and 260 Adelaide.
- **Support Port Lands Development:** Continue to advance the long-term vision for a sustainable new community in the heart of Toronto, by acting as a responsible steward of City assets in the port lands and support the ongoing flood protection work by Waterfront Toronto.

RECOMMENDATIONS

The City Manager and Chief Financial Officer and Treasurer recommend that:

1. City Council approve the 2021 Operating Budget for CreateTO of \$14.599 million gross, \$14.599 million revenue and \$0.0 million net for the following services:

Service:

	Gross Expenditures (\$000s)	Revenue (\$000s)	Net Expenditures (\$000s)
CreateTO	\$ 14,598.8	\$14,598.8	\$ 0.0
Total Agency Budget	\$ 14,598.8	\$ 14,598.8	\$ 0.0

2. City Council approve the 2021 staff complement for CreateTO of 69.0 positions comprised of only 69.0 operating positions.

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2021 OPERATING BUDGET

2021 OPERATING BUDGET OVERVIEW

Table 1: 2021 Operating Budget by Service

(In \$000s)	2019 Actual	2020 Budget	2020 Projection*	2021 Base Budget	2021 New / Enhanced	2021 Budget	Change v. 2020 Projection	
By Service	\$	\$	\$	\$	\$	\$	\$	%
Revenues								
Service fee from Corporations	12,023.3	13,867.0	13,191.0	13,463.0		13,463.0	272.0	2.1%
Project Management Fees	463.3	542.0	773.0	542.0		542.0	(231.0)	(29.9%)
Other Revenue		250.8	695.8	593.8		593.8	(102.0)	(14.7%)
Total Revenues	12,486.6	14,659.8	14,659.8	14,598.8		14,598.8	(61.0)	(0.4%)
Expenditures								
Salaries & Benefits	10,285.4	11,749.8	12,157.5	12,000.3		12,000.3	(157.2)	(1.3%)
Materials & Supplies	26.4	30.4	19.0	27.8		27.8	8.8	46.3%
Equipment	184.0	174.1	217.2	253.1		253.1	35.9	16.5%
Service & Rent	1,973.4	2,689.2	2,255.2	2,306.3		2,306.3	51.1	2.3%
Other Expenditures	17.4	16.3	10.9	11.3		11.3	0.4	3.7%
Total Gross Expenditures	12,486.6	14,659.8	14,659.8	14,598.8		14,598.8	(61.0)	(0.4%)
Net Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Approved Positions	60.0	68.0	68.0	69.0		69.0	1.0	1.5%

*2020 Projection based on Q3 Variance Report

COSTS TO MAINTAIN EXISTING SERVICES

Total 2021 Base Budget expenditures of \$14.599 million gross reflects a decrease of \$0.061 million in spending and is in line with 2020 projected year-end actuals.

Given the financial impacts of COVID-19 on 2020 actuals, a further comparison of the 2021 Recommended Budget to the 2020 Council Approved Budget is provided below:

- **2021 Base Budget totalling \$0.0 million in net expenditures reflects a \$0.0 net increase above the 2020 Council Approved Budget.**

EQUITY IMPACTS OF BUDGET CHANGES

No significant equity impacts: The changes in CreateTO's 2021 Operating Budget do not have any significant equity impacts.

2021 OPERATING BUDGET KEY DRIVERS

The 2021 Operating Base Budget for CreateTO is \$0.061 million gross or 0.4% lower than the 2020 Projected Actuals. Table 2a below summarizes the key cost drivers for the base budget.

Table 2a: 2021 Key Drivers – Base Budget

Key Cost Drivers	2019 Actuals	2020 Budget	2020 Projection	2021 Base Budget	Change Vs. 2020 Projection	
					\$	%
Expenditures						
1 Salaries and Benefits	10,285.4	11,749.8	12,157.5	12,000.3	(157.2)	-1.3%
2 Materials & Supplies	26.4	30.4	19.0	27.8	8.8	46.3%
3 Equipment	184.0	174.1	217.2	253.1	35.9	16.5%
4 Service and Rent	1,973.4	2,689.2	2,255.2	2,306.3	51.1	2.3%
5 Other Expenditures (Inc. IDC's)	17.4	16.3	10.9	11.3	0.4	3.7%
Total Expenditures	12,486.6	14,659.8	14,659.8	14,598.8	(61.0)	-0.4%
Revenues						
1 Transfers From Capital	96.9	150.0	150.0	150.0		
2 Other Revenues (Inc. IDR's)	12,389.7	14,509.8	14,509.8	14,448.8	(61.0)	-0.4%
Total Revenues	12,486.6	14,659.8	14,659.8	14,598.8	(61.0)	-0.4%
Net Expenditures	0.0	0.0	0.0	0.0		
Approved Positions	60.0	68.0	68.0	69.0	1.0	1.5%

Salaries & Benefits:

- Includes addition of 1.0 full-time permanent position to support the Agency's Portfolio Strategy work.

Other Expenditure and Revenue Changes:

- Minimal net change and is in line with 2020 Projection.

Table 2b: 2021 Balancing Actions

(\$000s)								
Recommendation	Savings Type	2021				2022		
		Revenue	Gross	Net	Positions	Gross	Net	Positions
Office Relocation	Efficiencies		(343.0)	(343.0)		(861.2)	(861.2)	
Total Balancing Actions			(343.0)	(343.0)	-	(861.2)	(861.2)	-

- As part of the ModernTO strategy, CreateTO will be one of the first to vacate third party lease space and move to a City owned facility, resulting in savings of \$0.343 million and \$0.861 million net in 2021 and 2022, respectively.

Note:

- For additional information on 2021 key cost drivers refer to [Appendix 2](#).

2022 & 2023 OUTLOOKS**Table 3: 2022 and 2023 Outlooks**

(\$000s)	2020 Projection	2021 Budget	2022 Outlook	2023 Outlook
Revenues	14,659.8	14,598.8	14,314.1	14,575.2
Gross Expenditures	14,659.8	14,598.8	14,314.1	14,575.2
Net Expenditures	0.0	0.0	0.0	0.0
Approved Positions	68.0	69.0	69.0	69.0

Key drivers

The 2022 Outlook with total gross expenditures of \$14.314 million reflects an anticipated \$0.284 million or 1.95 per cent decrease in gross expenditures below the 2021 Operating Budget; The 2023 Outlooks expects an increase of \$0.261 million or 1.82 per cent above 2022 gross expenditures.

These changes arise from the following:

- Annual impact of reduction in Office occupancy costs due to office relocation
- Inflationary increase in salaries, benefits and other general and administrative costs

APPENDICES

Appendix 1

COVID-19 Financial Impact - Operating N/A

Appendix 2

2021 Operating Budget by Revenue / Expenditure Category

Category (In \$000s)	2018	2019	2020	2020	2021	2021 Change from	
	Actual	Actual	Budget	Projection*	Total Staff Recommended Budget	2020 Projected	Actual
	\$	\$	\$	\$	\$	\$	%
Service fee from Corporations	11,432.7	12,023.3	13,867.0	13,191.0	13,463.0	272.0	2.1%
Project Management Fees		463.3	542.0	773.0	542.0	(231.0)	(29.9%)
Other Revenue			250.8	695.8	593.8	(102.0)	(14.7%)
Total Revenues	11,432.7	12,486.6	14,659.8	14,659.8	14,598.8	(61.0)	(0.4%)
Salaries & Benefits	9,053.4	10,285.4	11,749.8	12,157.5	12,000.3	(157.2)	(1.3%)
Materials & Supplies	28.6	26.4	30.4	19.0	27.8	8.8	46.3%
Equipment	98.0	184.0	174.1	217.2	253.1	35.9	16.5%
Service & Rent	2,223.0	1,973.4	2,689.2	2,255.2	2,306.3	51.1	2.3%
Other Expenditures	29.7	17.4	16.3	10.9	11.3	0.4	3.7%
Total Gross Expenditures	11,432.7	12,486.6	14,659.8	14,659.8	14,598.8	(61.0)	(0.4%)
Net Expenditures	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.0%)
Approved Positions	51.0	60.0	64.0	68.0	69.0	1.0	1.5%

* Year-End Projection Based on Q3 2020 Variance Report

Appendix 3

Summary of 2021 Service Changes

N/A

Appendix 4

Summary of 2021 New / Enhanced Service Priorities Included in Budget

N/A

Appendix 5

Summary of 2021 New / Enhanced Service Priorities Not Included in Budget

N/A

Appendix 6

**2021 Capital Budget;
2022 - 2030 Capital Plan Including Carry Forward Funding**

N/A

Appendix 6a

2021 Cash Flow and Future Year Commitments Including Carry Forward Funding

N/A

Appendix 6b

2022 - 2030 Capital Plan

N/A

Appendix 7

Reporting on Major Capital Projects: Status Update

N/A

Appendix 8

Summary of Capital Needs Constraints

N/A

Appendix 9

2021 User Fee Changes
(Excludes User Fees Adjusted for Inflation)

N/A

Appendix 10

Inflows and Outflows to/from Reserves and Reserve Funds 2021 Operating Budget

Program Specific Reserve / Reserve Funds

N/A

Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name		Contributions / (Withdrawals)		
		2021	2022	2023
XR1058	Beginning Balance	228,759	216,686	204,574
Capital Revolving Fund - Affordable Housing	<i>Withdrawals (-)</i>			
	CreateTO Withdrawals - Operating	-392	-392	-392
	Other Division/Agency Withdrawals - Operating	-12,148	-12,204	-4,991
	CreateTO Withdrawals - Capital	0	0	0
	Other Division/Agency Withdrawals - Capital	0	0	0
	Total Withdrawals	-12,540	-12,596	-5,383
	<i>Contributions (+)</i>			
	CreateTO Contributions - Operating	0	0	0
	Other Division/Agency Contributions - Operating	0	0	0
	Contributions - Other	0	0	0
	Total Contributions	0	0	0
	Total Reserve / Reserve Fund Draws / Contributions	-12,540	-12,596	-5,383
	Interest Income	467	484	666
	Balance at Year-End	216,686	204,574	199,857

Appendix 11

Glossary

Approved Position: Permanent or temporary positions that support the delivery of City services and service levels as approved by Council.

Actuals: An actual financial amount paid (or received) for the delivery of City services (these exclude any commitments to be paid in the future).

Capacity to Spend: Ability to spend money along with the capacity to deliver projects as demonstrated by historic spending patterns and approved contractual obligations.

Capital Budget: A Capital Budget is the City's plan to acquire / build assets or extend the useful life of existing assets; an example of a capital expenditure is the construction of a new community centre.

Capital Needs Constraints: The capital needs that cannot be accommodated within the capital plan that the Division or Agency have the capacity to deliver.

Complement: Positions that support the delivery of City services and service levels as approved by Council.

Efficiencies: Reductions in the cost of delivering a service without a reduction in service level.

New / Enhanced: New and enhanced service changes resulting in an increase in service levels from what was previously approved by Council.

Operating Budget: An Operating Budget is the City's annual plan to provide services to the residents of Toronto; the budget includes all revenues and expenses needed to provided services; an example of an operating cost would be the cost to run the TTC subways.

Operating Impact of Completed Capital Projects: The additional expense (or savings) and positions needed to operate or maintain a new asset; an example would be the additional expense and staff needed to operate a recently completed community centre.

Rate Supported Budget: Budget fully funded by user fees such as Solid Waste, Toronto Water and Toronto Parking Authority

Staff Recommended Operating / Capital Budget: An operating or capital budget recommended by City Manager and Chief Financial Officer and Treasurer to City Council for consideration and approval.

State of Good Repair (SOGR): The cost of maintaining assets to ensure they are able to support the delivery of City services and meet service outcomes

Tax Supported Budget: Budget funded by property taxes.

User Fees: Program generated fee and rental revenue for the use of its services (such as the TTC fare, ice rental fees and various City permits).

Value Based Outcome Review (VBOR): The City conducted a Value Based Outcome Review in 2019 for all of its operations and agencies to identify specific opportunities and strategies to maximize the use of tax dollars, enhance its financial sustainability while achieving service outcomes. These opportunities will help the City chart its financial course in the next four years.

Voluntary Separation Program – On July 28th, 2020, City Council approved the implementation of a Voluntary Separation Program for staff who are eligible to retire with an unreduced pension providing a lump sum payment of up to three months' salary to eligible employees, subject to the terms of the program guidelines, funded through savings generated from a combination of permanently eliminating vacated positions and/or holding the positions vacant for a minimum of six months.