



**STAFF REPORT
INFORMATION ONLY**

**Financial Strategy to Re-establish Original Time Lines
for the Urban Forestry Service Plan**

Date:	December 10, 2012
To:	Budget Committee
From:	Jim Hart, General Manager, Parks, Forestry and Recreation Division
Wards:	All
Reference Number:	P:\2012\Cluster A\PFR\BU36-121212-AFS#16836

SUMMARY

This report responds to City Council's request that a report be submitted to Budget Committee as part of the 2013 budget process to outline the financial requirements and resources required to re-establish the original time lines of the Urban Forestry Service Plan adopted in 2008 for tree maintenance and planting, as well as maintaining the planned capacity to manage the Emerald Ash Borer (EAB) infestation.

This report presents the financial plan that is required to build the necessary resources, both internal and external, to meet the tree canopy target timelines as set out in the Original Service Plan while managing the EAB infestation. This financial plan is referred to in this report as the "Re-established Service Plan."

Financial Impact

The Re-established Consolidated Funding Plan is a combination of the 2013 recommended EAB Funding Plan and the Re-established Service Plan. Re-establishing the Original Service Plan time lines will require \$39.0 million more in property tax funding (from 2013-2023) than the approved Consolidated Funding Plan that was adopted by Council in November 2012, which extends the time frame to achieve the City's tree canopy goals by seven years (to 2023).

The Re-established Consolidated Funding Plan, as outlined in Figure 1 below, includes \$48 million in reserve funding from the Environment Protection Reserve Fund (XR1718) approved in 2008 and \$61.3 million in one-time funding (between 2013-2023) for which the funding source is yet to be identified. A cumulative total of \$181.3 million in property taxes is required between 2013 and 2023.

The financial impact of the Re-established Consolidated Funding Plan (Figure 1) compared to the approved Consolidated Funding Plan over the next 5 years is as follows:

- 2013 – no change
- 2014 – total incremental increase of \$2.0 million
 - property tax funding increase of \$2.0 million
- 2015 – total incremental increase of \$5.4 million
 - property tax funding increase of \$5.0 million
 - reserve fund increase of \$0.4 million
- 2016 – total incremental increase of \$9.7 million
 - property tax funding increase of \$9.1 million
 - reserve fund increase of \$0.6 million
- 2017 – total incremental increase of \$10.1 million
 - property tax funding increase of \$8.2 million
 - reserve fund increase of \$1.9 million

Figure 1: Plan Comparison (Consolidated Funding Plan vs. Re-established Consolidated Funding Plan)

FUNDING PLAN COMPARISON (Consolidated vs. Re-established Consolidated)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total (2013-2023)	Total (2009-2023)
Consolidated Funding Plan	3.9	7.3	9.7	13.3	19.7	22.1	23.4	22.1	19.0	19.0	20.3	21.0	21.0	21.5	22.0	231.1	265.3
Reserve Fund - XR1718 (\$48M)	2.3	5.6	6.3	6.3	5.3	3.8	2.3	0.8	1.1	4.1	2.2	4.5	2.5	0.9	0.0	27.5	48.0
One Time Funding	0.0	0.0	0.0	3.6	10.0	12.4	13.7	12.4	7.1	2.2	3.5	0.0	0.0	0.0	0.0	61.3	64.9
Property Tax Funding	1.6	1.7	3.4	3.4	4.4	5.9	7.4	8.9	10.8	12.7	14.6	16.5	18.5	20.6	22.0	142.3	152.4
Re-established Consolidated Funding Plan	3.9	7.3	9.7	13.3	19.7	24.1	28.8	31.8	29.1	24.2	25.5	22.0	21.8	21.1	22.0	270.1	304.3
Reserve Fund - XR1718 (\$48M)	2.3	5.6	6.3	6.3	5.3	3.8	2.7	1.4	3.0	3.0	3.0	3.0	2.3	0.0	0.0	27.5	48.0
One Time Funding	0.0	0.0	0.0	3.6	10.0	12.4	13.7	12.4	7.1	2.2	3.5	0.0	0.0	0.0	0.0	61.3	64.9
Property Tax Funding	1.6	1.7	3.4	3.4	4.4	7.9	12.4	18.0	19.0	19.0	19.0	19.0	19.5	21.1	22.0	181.3	191.4
Difference (Total)	0.0	0.0	0.0	0.0	0.0	2.0	5.4	9.7	10.1	5.2	5.2	1.0	0.8	-0.4	0.0	39.0	39.0
Reserve Fund - XR1718 (\$48M)	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.6	1.9	-1.1	0.8	-1.5	-0.2	-0.9	0.0	0.0	0.0
One Time Funding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property Tax Funding	0.0	0.0	0.0	0.0	0.0	2.0	5.0	9.1	8.2	6.3	4.4	2.5	1.0	0.5	0.0	39.0	39.0

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

City Council at its meeting held on November 27, 28 and 29, 2012, amended and adopted item PE17.1 entitled "Core Service Review – Revising the Timeframe to Achieve the City's Tree Canopy Goals". Among other things, City Council requested that the General Manager of Parks, Forestry and Recreation submit an information report to the Budget Committee as part of the 2013 budget process outlining the financial requirements and resources required to re-establish the original time lines of the Urban Forestry Service Plan for tree maintenance and planting and the ability to manage the Emerald Ash Borer infestation.

City Council Decision Document PE17.1

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.PE17.1>

ISSUE BACKGROUND

In 2008, City Council authorized the use of \$48 million from the Environment Protection Reserve Fund towards enhancement and protection of the City's tree canopy. This was supported by Parks, Forestry and Recreation's Council-approved strategic plan entitled, "Our Common Grounds" and reinforced by the Climate Change, Clean Air and Sustainable Energy Action Plan.

In 2009, an eight (8) year financing plan was implemented to sustain and expand the urban forest and in particular, increase the tree canopy to between 30-40% by the year 2050. The eight (8) year financial plan was designed to bring Urban Forestry's Gross Operating Budget to the necessary level by 2016; allowing Urban Forestry to maintain and protect current assets, as well as plant at sufficient levels in order to meet the desired canopy objectives.

In 2011, the City of Toronto retained KPMG to review and analyze all City services, activities and service levels provided by divisions and agencies and to apply a core service filter to services. Further, KPMG was to identify services provided at higher than standard service levels, and identify options and opportunities to change services and service levels. As part of the Parks, Forestry and Recreation core services review, KPMG suggested that the City consider reducing the target canopy or extending the timeframe to achieve the target, allowing a lower rate of new tree planting and maintenance of existing trees. In response to this suggestion, City Council requested that the General Manager of Parks Forestry and Recreation review the Urban Forestry Service Plan, and report with recommended changes to extend the timeframe to achieve the City's tree canopy goals.

Management of the Emerald Ash Borer (EAB) is a significant challenge faced by the City, and upon review, it was clear that Urban Forestry did not have the internal capacity, nor were there sufficient industry resources available to deliver both the Urban Forestry Service Plan and the EAB management program. The report (Core Service Review – Revising the Timeframe to Achieve the City's Tree Canopy Goals) dated September 28, 2012, outlined a revised funding strategy that considered management of both programs, realistic time lines and resources needed to efficiently achieve targeted objectives while advancing incrementally towards expanding the tree canopy. The revised funding strategy included an extension of the timeframe to implement the Urban Forestry Service Plan by seven (7) years, from 2016 to 2023. Further to considering the September 28, 2012, report, City Council at its meeting held November 27-29 had requested submission of a report outlining the financial requirements and resources required to re-establish the original time lines of the Urban Forestry Service Plan and manage EAB.

COMMENTS

The Urban Forestry Service Plan has been revised and updated since it was originally adopted in 2008. The following table outlines the revisions that have been adopted by Council in order to address the EAB infestation.

Service Plan Definitions

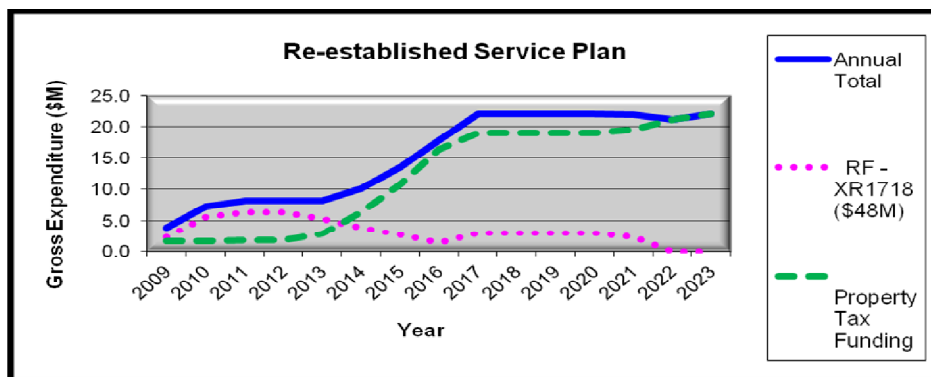
Urban Forestry Service Plan	Refers to all the various iterations of timelines and required funding to achieve the tree canopy targets and timelines.
Original Service Plan	Adopted in 2008, a plan for sustaining and expanding the urban forest
EAB Funding Plan	Adopted in November 2012, funding required to manage the EAB infestation
Revised Service Plan	Adopted in November 2012, the Urban Forestry Service Plan was revised to extend the timeframe to meet the tree canopy target
Consolidated Funding Plan	Adopted in November 2012, funding plan combining the EAB Funding Plan and Revised Service Plan
Re-established Service Plan	An option for revising the Urban Forestry Service Plan to reflect actual implementation to date and to provide sufficient resources to achieve the Original Service Plan timelines
Re-established Consolidated Funding Plan	Funding plan combining the EAB Funding Plan and Re-established Service Plan

Re-established Service Plan (excluding EAB funding plan)

The Re-established Service Plan, as outlined in Figure 3 below, requires \$13.9 million in incremental funding between 2014 and 2017 in order to achieve full funding of \$22 million by 2017 and re-establish the Original Service Plan time lines. The plan will be fully funded by property tax in 2023 by utilizing the \$27.5 million remaining in the Environment Protection Reserve Fund (XR1718) and incremental property taxes of \$20.2 million between 2013 and 2023.

Figure 2: Re-established Service Plan

Re-established Service Plan	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total (2013-2023)	Total (2009-2023)	
Annual Total	3.9	7.3	8.1	8.1	8.1	10.1	13.5	17.8	22.0	22.0	22.0	22.0	21.8	21.1	22.0	202.4	229.8	
RF - XR1718 (\$48M)	2.3	5.6	6.3	6.3	5.3	3.8	2.7	1.4	3.0	3.0	3.0	3.0	2.3	0.0	0.0	27.5	48.0	
Property Tax Funding	1.6	1.7	1.8	1.8	2.8	6.3	10.8	16.4	19.0	19.0	19.0	19.0	19.5	21.1	22.0	174.9	181.8	
<i>Incremental Property Tax Amount</i>			0.1	0.1	-	1.0	3.5	4.5	5.6	2.6	-	-	-	0.5	1.6	0.9	20.2	20.4
<i>Incremental Annual Total</i>			3.4	0.8	-	-	2.0	3.4	4.3	4.2	-	-	-	-	-	13.9	18.1	



The following financial plan identifies the incremental funding required to build capacity and re-establish the original time lines associated with the Urban Forestry Service Plan.

Figure 3: Incremental Funding Breakdown by Category

Breakdown by Category	Incremental Funding Amount (\$ Millions)				Total
	2014	2015	2016	2017	
Contracted Services	\$0.0	\$2.1	\$2.4	\$2.7	\$7.2
In House Services	\$2.0	\$1.3	\$1.9	\$1.5	\$6.7
Total Incremental Funding	\$2.0	\$3.4	\$4.3	\$4.2	\$13.9
# of New Positions	24	17	22	19	82

Notes:

- Please refer to attachment 1 for a breakdown of the incremental funding by Urban Forestry Service Pillar
- Contracted Services includes funding for work that is contracted out
- In House Services includes funding for staff, fleet, maintenance, property, plant & equipment

As shown in the table above, \$13.9 million of incremental funding will be phased in over 4 years. The plan would maintain the target of achieving a seven (7) year average pruning cycle by reducing the tree service delay and transitioning to a more efficient area tree maintenance program. Planting would continue according to the time lines of the Original Service Plan with marginal increases throughout the city resulting from operational efficiencies, and trees would be protected to minimize unnecessary tree damage and loss.

In 2013, existing vacancies would be filled and Urban Forestry would continue to build internal staff capacity and capabilities as required to support delivery of the target objectives in 2014 through to 2017.

Increased and sustained use of contracted services will be required to implement the Urban Forestry Service Plan. Currently, external industry capacity is limited. This has been exacerbated by the Emerald Ash Borer infestation which affects private and public lands in an ever increasing level across southern Ontario. In 2014, Urban Forestry would prepare a five-year multi-vendor contract that will enable private sector confidence needed to make capital investments and build resource capacity with incremental increases yearly. The expectation over the next few years is that industry capacity will increase with the aim to meet the demand for arboriculture services.

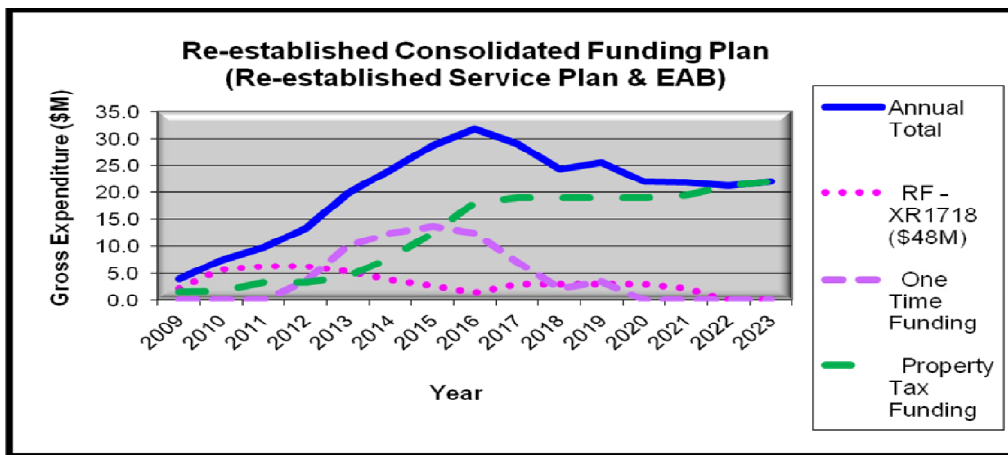
Re-established Consolidated Funding Plan (Re-established Service Plan including EAB Funding Plan)

In order to effectively implement the Re-established Service Plan and manage EAB, both initiatives need to be considered simultaneously as a consolidated funding option during the 2013 budget process. This funding option requires an incremental \$8.7 million between 2013 and 2023 in addition to \$18.6 million of property taxes that will be phased in.

Significant resources will be required particularly during the peak of the EAB infestation from 2015-2017. During this time period approximately \$30 million will be required each year to combat EAB and implement the Urban Forestry Service Plan. Overall EAB will require \$61.3 million in one time funding from 2013-2023.

Figure 5: Re-established Consolidated Funding Plan (Re-established Service Plan including EAB Funding Plan)

RE-ESTABLISHED CONSOLIDATED FUNDING PLAN (Re-established Service Plan & EAB)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total (2013-2023)	Total (2009-2023)
Annual Total	3.9	7.3	9.7	13.3	19.7	24.1	28.8	31.8	29.1	24.2	25.5	22.0	21.8	21.1	22.0	270.1	304.3
Reserve Fund - XR1718 (\$48M)	2.3	5.6	6.3	6.3	5.3	3.8	2.7	1.4	3.0	3.0	3.0	3.0	2.3	0.0	0.0	27.5	48.0
One Time Funding	0.0	0.0	0.0	3.6	10.0	12.4	13.7	12.4	7.1	2.2	3.5	0.0	0.0	0.0	0.0	61.3	64.9
Property Tax Funding	1.6	1.7	3.4	3.4	4.4	7.9	12.4	18.0	19.0	19.0	19.0	19.0	19.5	21.1	22.0	181.3	191.4
Incremental Annual Total		3.4	2.4	3.6	6.4	4.4	4.7	3.0	-2.7	-4.9	1.3	-3.5	-0.2	-0.7	0.9	8.7	18.1
Incremental Property Tax Funding		0.1	1.7	-	1.0	3.5	4.5	6.6	1.0	-	-	-	0.5	1.6	0.9	18.6	20.4



As noted in Figure 6 and 7 below, the Re-established Consolidated Funding Plan requires \$31.8 million more in funding than the Original Service Plan (between 2013 and 2023) and \$39.0 million more than the Consolidated Funding Plan (between 2013 and 2023).

Figure 6: Plan Comparison (Original Service Plan Funding vs. Re-established Consolidated Funding Plan)

FUNDING PLAN COMPARISON (Original vs. Re-established Consolidated)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total (2013-2023)	Total (2009-2023)
Original Service Plan	5.7	8.1	14.7	21.0	19.7	21.1	21.5	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	238.3	287.8
Reserve Fund - XR1718 (\$48M)	4.1	6.0	10.3	12.0	9.7	5.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.6	48.0
Property Tax Funding	1.6	2.1	4.4	9.0	10.0	15.2	21.5	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	222.7	239.8
Re-established Consolidated Funding Plan	3.9	7.3	9.7	13.3	19.7	24.1	28.8	31.8	29.1	24.2	25.5	22.0	21.8	21.1	22.0	270.1	304.3
Reserve Fund - XR1718 (\$48M)	2.3	5.6	6.3	6.3	5.3	3.8	2.7	1.4	3.0	3.0	3.0	3.0	2.3	0.0	0.0	27.5	48.0
One Time Funding	0.0	0.0	0.0	3.6	10.0	12.4	13.7	12.4	7.1	2.2	3.5	0.0	0.0	0.0	0.0	61.3	64.9
Property Tax Funding	1.6	1.7	3.4	3.4	4.4	7.9	12.4	18.0	19.0	19.0	19.0	19.0	19.5	21.1	22.0	181.3	191.4
Difference	-1.8	-0.8	-5.0	-7.7	0.0	3.0	7.3	9.8	7.1	2.2	3.5	0.0	-0.2	-0.9	0.0	31.8	16.5

Figure 7: Plan Comparison (Consolidated Funding Plan vs. Re-established Consolidated Funding Plan)

FUNDING PLAN COMPARISON (Consolidated vs. Re-established Consolidated)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total (2013- 2023)	Total (2009- 2023)
Consolidated Funding Plan	3.9	7.3	9.7	13.3	19.7	22.1	23.4	22.1	19.0	19.0	20.3	21.0	21.0	21.5	22.0	231.1	265.3
Reserve Fund - XR1718 (\$48M)	2.3	5.6	6.3	6.3	5.3	3.8	2.3	0.8	1.1	4.1	2.2	4.5	2.5	0.9	0.0	27.5	48.0
One Time Funding	0.0	0.0	0.0	3.6	10.0	12.4	13.7	12.4	7.1	2.2	3.5	0.0	0.0	0.0	0.0	61.3	64.9
Property Tax Funding	1.6	1.7	3.4	3.4	4.4	5.9	7.4	8.9	10.8	12.7	14.6	16.5	18.5	20.6	22.0	142.3	152.4
Re-established Consolidated Funding Plan	3.9	7.3	9.7	13.3	19.7	24.1	28.8	31.8	29.1	24.2	25.5	22.0	21.8	21.1	22.0	270.1	304.3
Reserve Fund - XR1718 (\$48M)	2.3	5.6	6.3	6.3	5.3	3.8	2.7	1.4	3.0	3.0	3.0	3.0	2.3	0.0	0.0	27.5	48.0
One Time Funding	0.0	0.0	0.0	3.6	10.0	12.4	13.7	12.4	7.1	2.2	3.5	0.0	0.0	0.0	0.0	61.3	64.9
Property Tax Funding	1.6	1.7	3.4	3.4	4.4	7.9	12.4	18.0	19.0	19.0	19.0	19.0	19.5	21.1	22.0	181.3	191.4
Difference (Total)	0.0	0.0	0.0	0.0	0.0	2.0	5.4	9.7	10.1	5.2	5.2	1.0	0.8	-0.4	0.0	39.0	39.0
Reserve Fund - XR1718 (\$48M)	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.6	1.9	-1.1	0.8	-1.5	-0.2	-0.9	0.0	0.0	0.0
One Time Funding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property Tax Funding	0.0	0.0	0.0	0.0	0.0	2.0	5.0	9.1	8.2	6.3	4.4	2.5	1.0	0.5	0.0	39.0	39.0

CONCLUSION

Approval of new funding will enable Urban Forestry to move to a proactive state of good repair program from the current predominantly reactive level of service. Future service levels are dependent on future costs remaining consistent and future funding, with inflationary adjustments being available. In addition, the Re-established Consolidated Funding Plan will provide Urban Forestry with the resources to implement the EAB strategy in order to mitigate the impacts that extensive tree mortality and removal will have on the tree canopy.

CONTACT

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SIGNATURE

Jim Hart
General Manager, Parks, Forestry and Recreation

ATTACHMENTS

Attachment 1 - Incremental Funding Required to Achieve the Original Service Plan Time Lines

Attachment 1: Incremental Funding Required to Achieve the Original Service Plan Time Lines (by Urban Forestry Service Pillar)

Breakdown by UF Service Pillar (\$ millions)	2014	2015	2106	2017	TOTAL
Maintenance	1.3	2.2	2.8	2.7	9.0
Planting	0.4	0.8	1.0	1.0	3.2
Protection	0.2	0.3	0.3	0.3	1.1
Planning	0.1	0.1	0.2	0.2	0.6
Total	2.0	3.4	4.3	4.2	13.9