



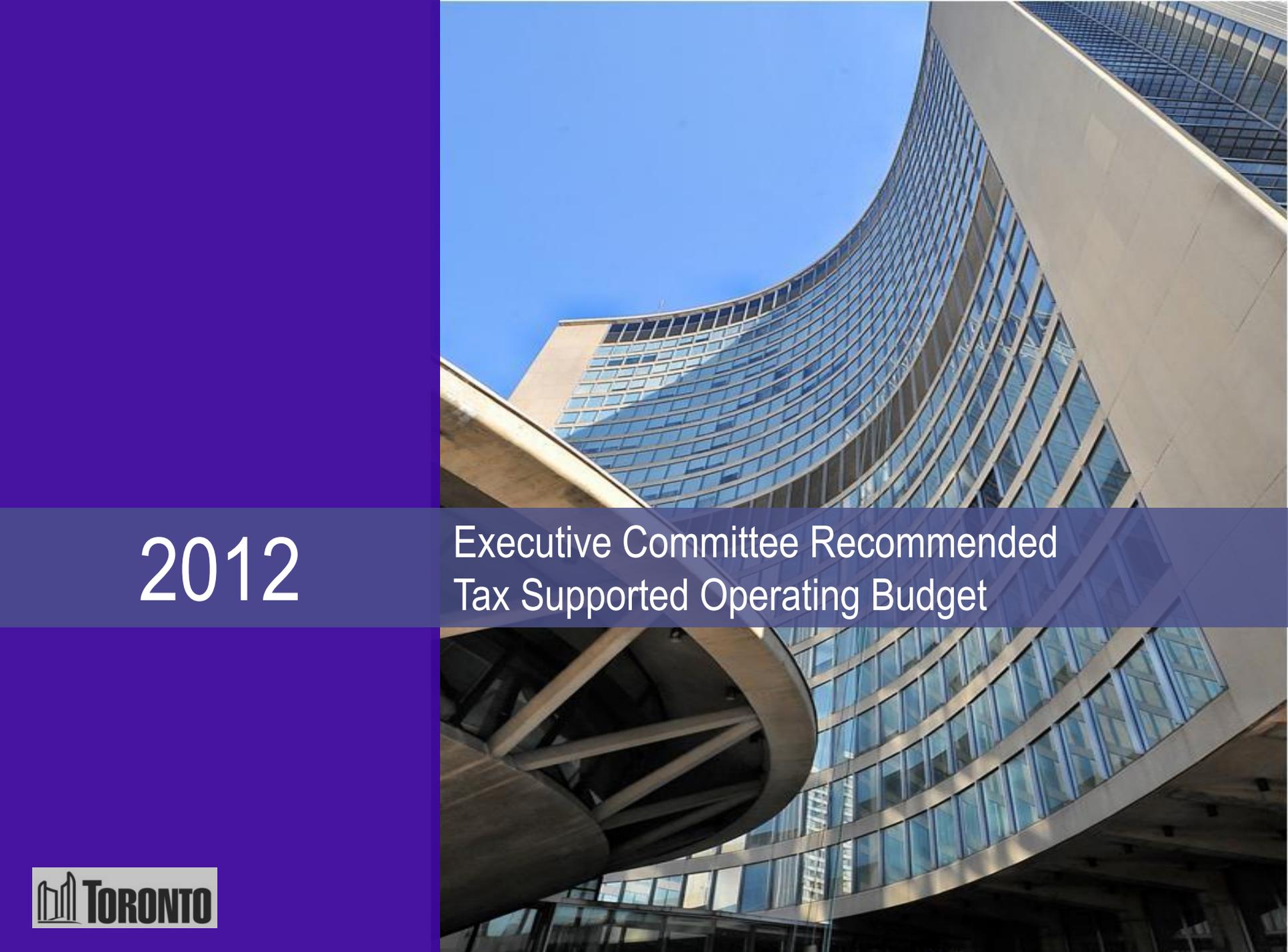
2012

City Budget
Presentation to Council

January 17, 2012

Agenda

- 2012 Operating Budget
 - Budget Context
 - Service Review Program
 - 2012 Balancing Strategy
- 2012 to 2021 Capital Budget and Plan
 - Budget Context
 - TTC 10 Year Capital Budget and Plan – 2012 vs. 2011
 - 2012 – 2021 Capital Plan Debt Charges Impact
- 2013 / 2014 Outlook



2012

Executive Committee Recommended
Tax Supported Operating Budget

2012 Operating Budget

- Budget Context

The Challenge

- Opening Spending Pressure → \$774 million
- Reliance on one-time revenues needs to end
- Spending has outpaced revenue growth
- Capital financing putting pressure on operating budget

The Solution

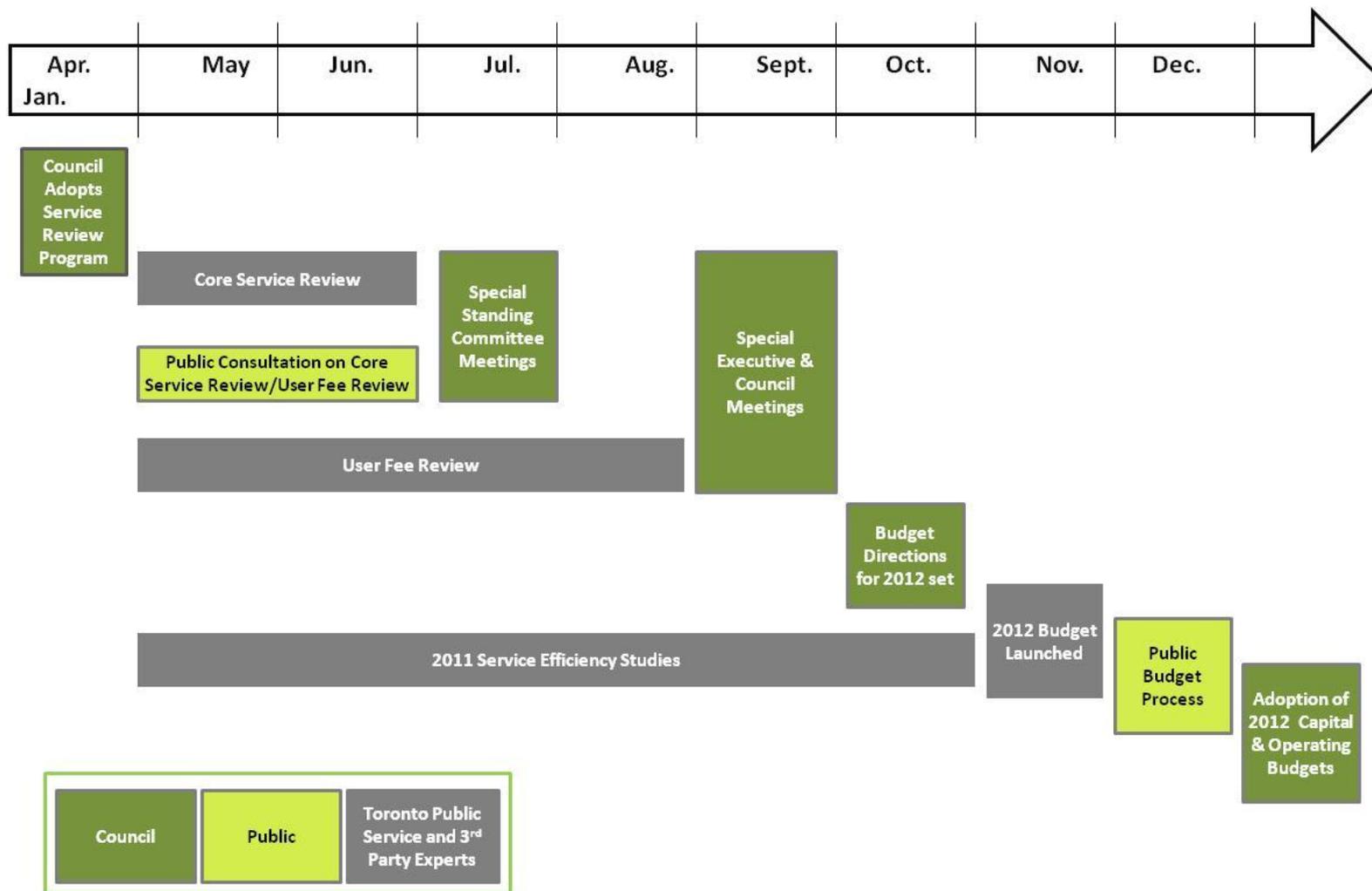
- Cut spending through efficiencies and service level adjustments
- Maximize revenue sources
- Moderate impact of capital financing
- Moderate Tax and TTC fare increases

This budget makes significant progress in all areas and moves the City close to the goal of fiscal sustainability

Budget Directions

- 10% Net Budget Reduction ✓
- Core Service Review ✓
- User Fee Policy & Review ✓
- Service Efficiency Studies ✓

Service Review Program



*For details see Council Report [Service Review Program, 2012 Budget Process and Multi-year Financial Planning Process](#)

2012 Outlook Spending Pressures

	<u>\$Million</u>
City One-Time Funding	
Prior Year Surplus	346
Reserve Draws	14
Total Unsustainable Balancing Strategies	<u>360</u>
Expenditure Increases	
Cost of Living and Progression Pay	138
Fringe Benefit Liabilities - Contribution Requirements	78
Inflation - Material Supplies and Services	50
Capital Financing	55
Contribution to Reserves - Liabilities	10
Operating Impact of Capital	16
Other Base Change	67
Total Expenditure Increases	<u>414</u>
Outlook Pressure Before Revenue Increases	<u>774</u>

Actions Taken to Balance the Budget

	<u>2012</u>	<u>2011</u>
Base Budget Adjustments and Efficiencies	271	57
Service Adjustments	75	-
	<u>346</u>	<u>57</u>
	10% =	
Revenues increased:		
- economic growth	164	158
- other revenues	94	145
- TTC fare increase - 10 Cents	30	-
- 2.5% property tax increase	57	-
Application of Tax Stabilization Reserve	83	<u>346</u>
	<u>774</u>	<u>706</u>

2012 Budget Balancing Strategies – Cost Reduction

	<u>\$ Millions</u>
Pressure as at Feb 2011	<u>774</u>
Service Efficiency Savings & Base Budget Changes	(141)
Fringe Benefits Liabilities - TTC Solvency Relief and Contribution Reductions	(54)
Compensation Forecast Reduced	(28)
Debt Service Cost (<i>lower interest rates/monetization</i>)	(36)
Operating Impact of Capital (<i>absorbed or delayed</i>)	(12)
	<u>(271)</u>
Adjusted Pressure after Reduced Costs	<u>503</u>

2012 Budget Balancing Strategies

– Revenue Adjustments

	<u>\$ Millions</u>
Adjusted Expenditure Pressure	<u>503</u>
Revenues from Economic Growth:	
MLTT	(68)
Assessment Growth	(51)
TTC Ridership Increase	(30)
Supplementary Taxes	(15)
Sub-Total	<u>(164)</u>
Other Revenues:	
Provincial Funding Increase	(22)
User Fees Changes	(12)
Hydro Dividends	(15)
Other Revenue	(45)
Sub-Total	<u>(94)</u>
Total Revenues	<u>(258)</u>
Remaining Pressure before Service Changes, Rate Increase, and Tax Stabilization Reserve	<u>245</u>

2012 Budget Balancing Strategies

- Service Level Changes, Rate Increases

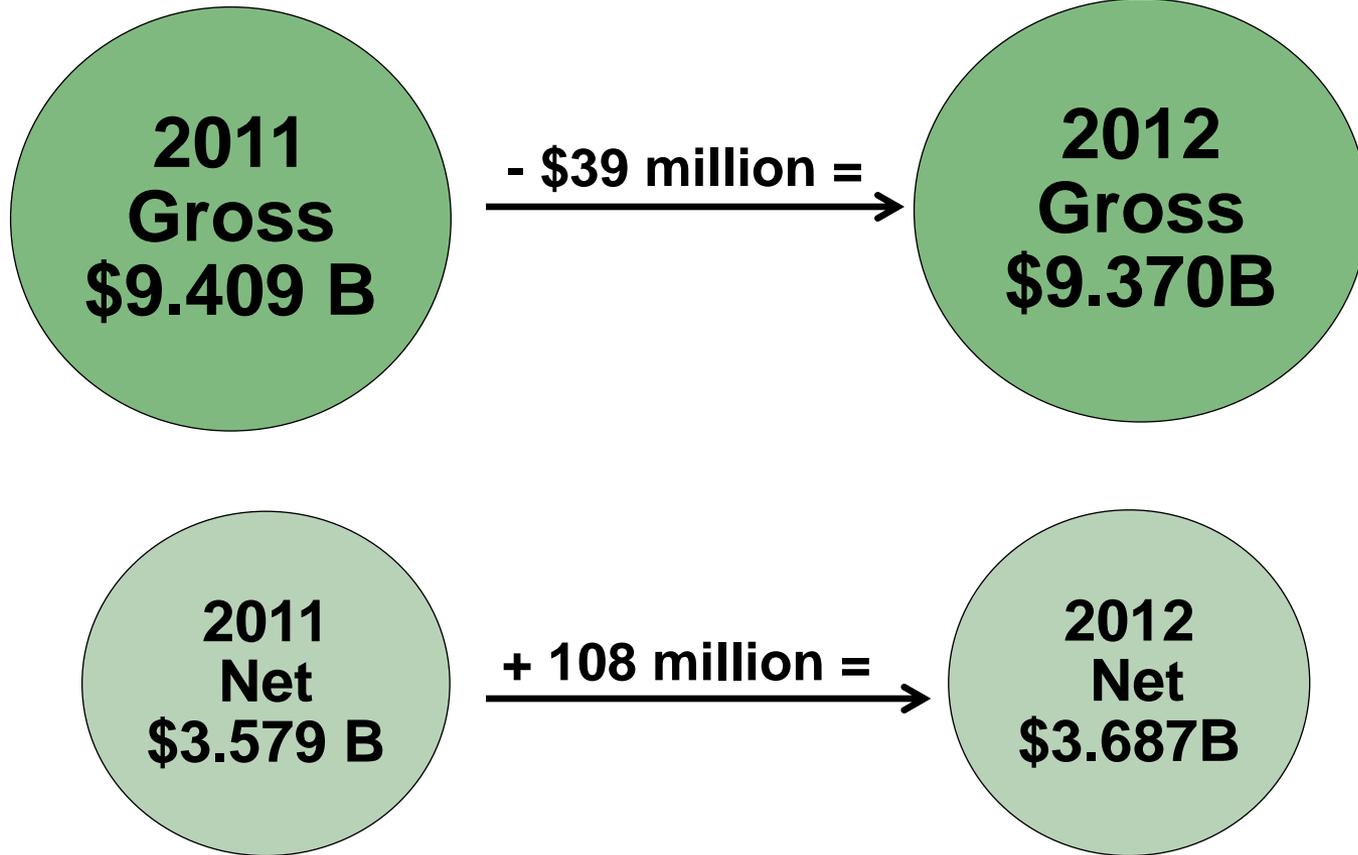
	<u>\$ Millions</u>
Remaining Pressure before Service Changes, Rate Increase, and Tax Stabilization Reserve	<u>245</u>
Service Level Adjustments	(75)
TTC - 10 Cent Fare Increase	(30)
Property Tax Increase (2.5% Residential/ 0.83% Non-Residential)	(57)
Tax Stabilization	(83)
Remaining Pressure	<u>0</u>

Executive Committee Service Adjustment Changes as a Result of 2012 Assessment Growth

- Final 2011 assessment roll received in December confirms 2012 assessment growth is \$50.6M vs. \$41.8M currently in the budget
- \$8.8M increase is sustainable revenue
- Executive Committee recommended allocation:
 - Community Centre (\$2.111M)
 - Student Nutrition Program (\$0.382M)
 - Reinstate programming at 2 TDSB Pools (\$0.295M)
 - Library Board unspecified reductions (\$3.084M)
 - Arts and Culture Grants (\$1.939M)
 - Sidewalk Snow Clearing (\$0.928M)
 - Total (\$8.739M)

2012 Operating Budget

Reduction in Gross Expenditures

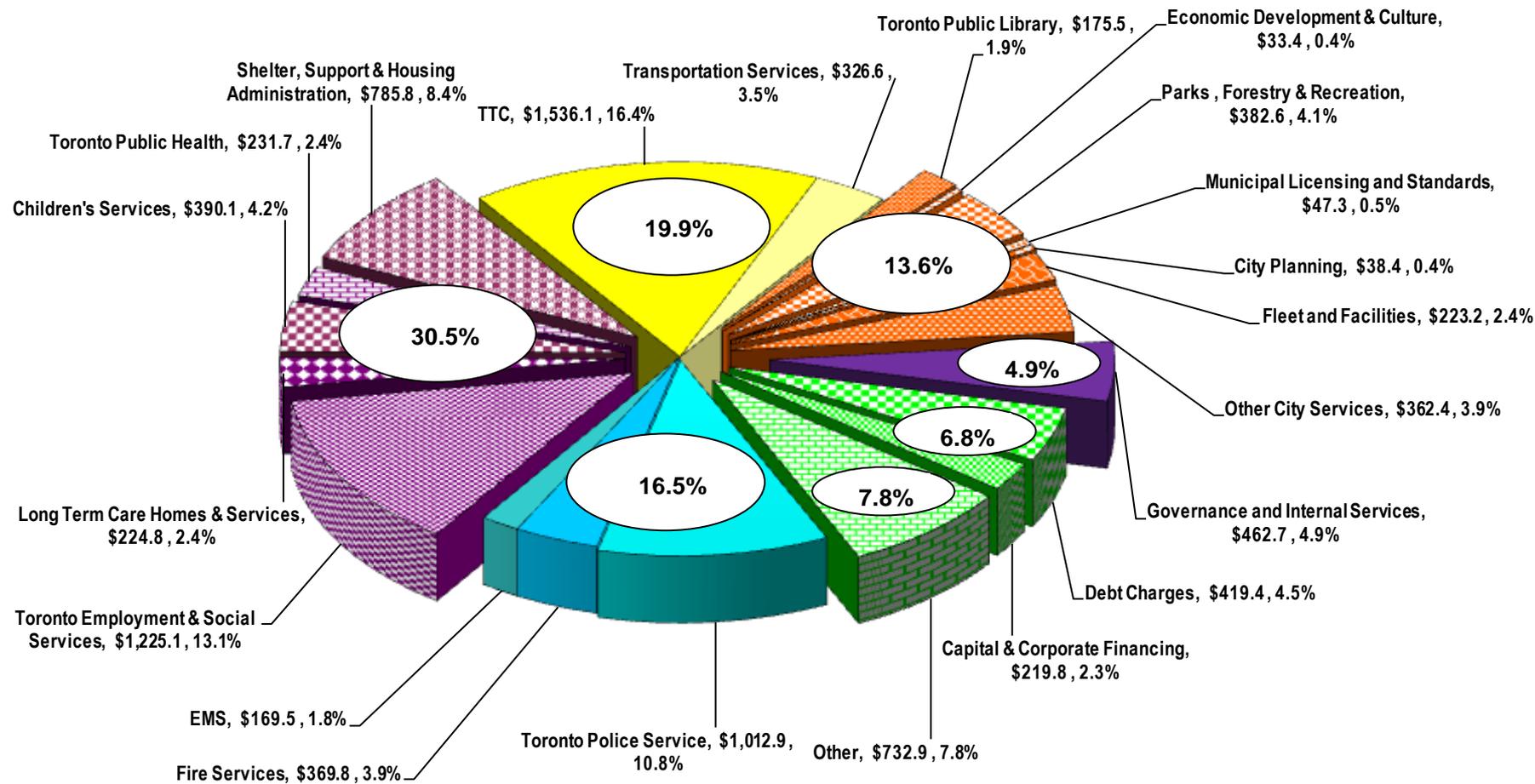


\$108M Net Increase - \$51M Assessment Increase
= \$57M Tax Increase (2.5% Residential & 0.83% Non-Residential)

Where the Money Goes:

- Program Expenditures of \$9.370Billion

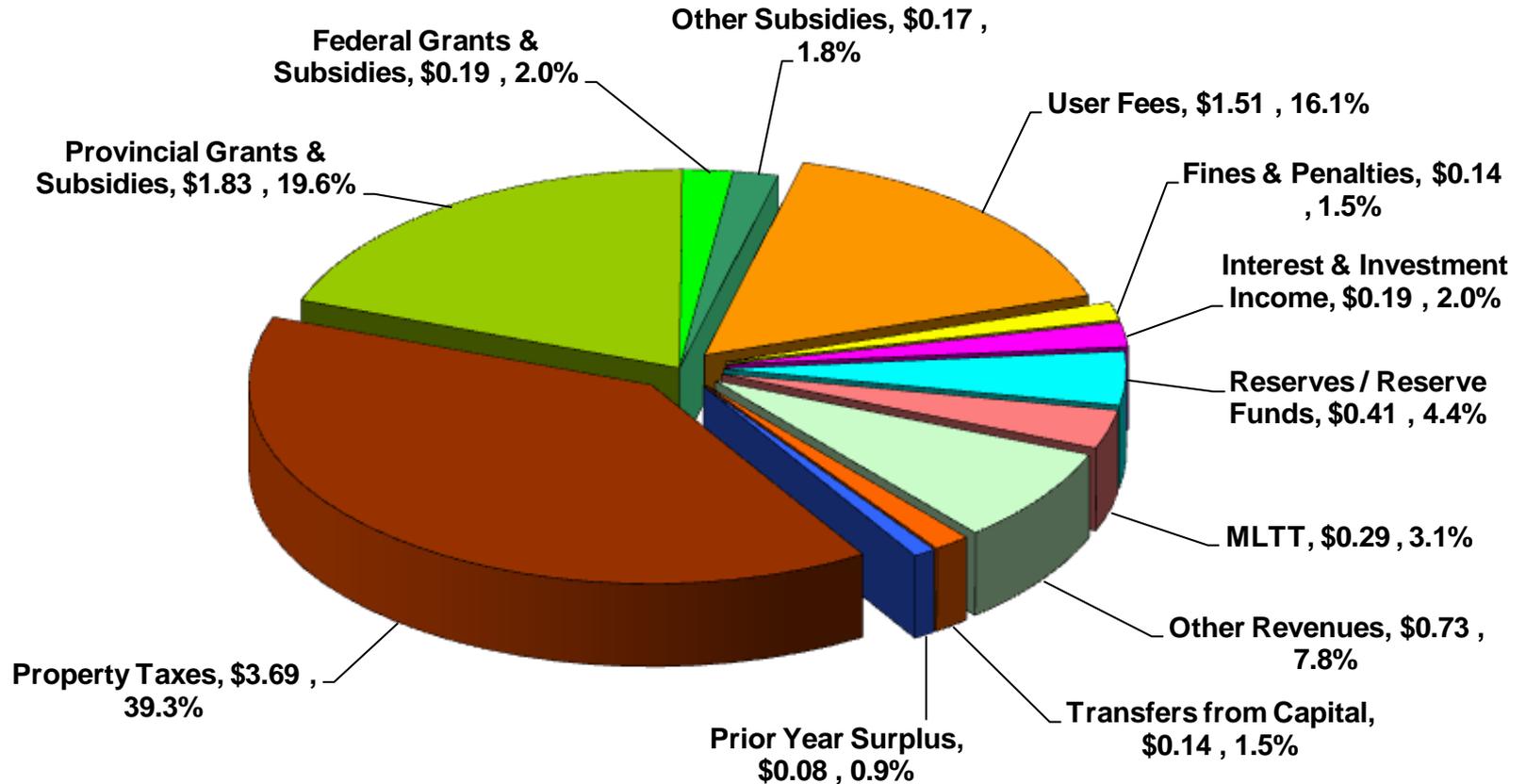
(\$ Million)



Where the Money Comes From

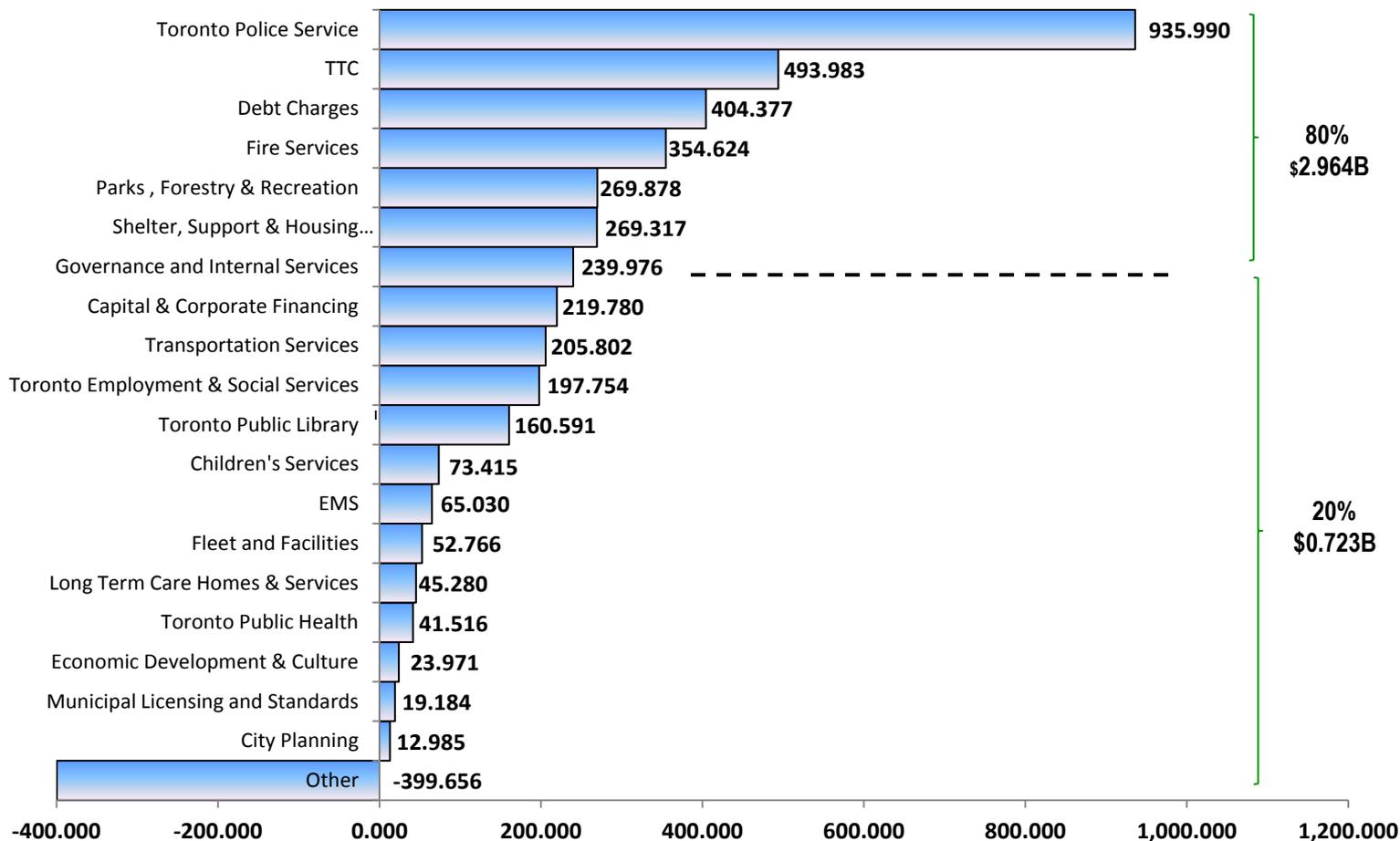
- Program Revenues of \$9.370 Billion

(\$ Billion)



Where the Money Goes

- \$3.687 Billion Tax Levy



Summary

- The 2012 Operating Budget:
 - Major progress made towards fiscal sustainability
 - ✓ “One-time” pressures reduced from \$346 million to \$83 million
 - Limited Service Impacts
 - Modest Tax and TTC Fare Increases
 - Improved Capital Funding



2012 – 2021

Executive Committee Recommended
Tax Supported Capital Budget and Plan

2012 – 2021 Capital Budget and Plan

- Budget Context

The Challenge

- Need to accommodate the TTC's \$2.3 billion capital shortfall
- Uncertainty over Federal and Provincial Funding
- Keep Debt Service costs below the 15% guideline

The Solution

- TTC
 - ✓ TTC has reduced capital request by \$1.1 Billion
 - ✓ \$700 million in new funding from operating surpluses, monetization of City assets, and expected Federal and Provincial funding

Budget Context

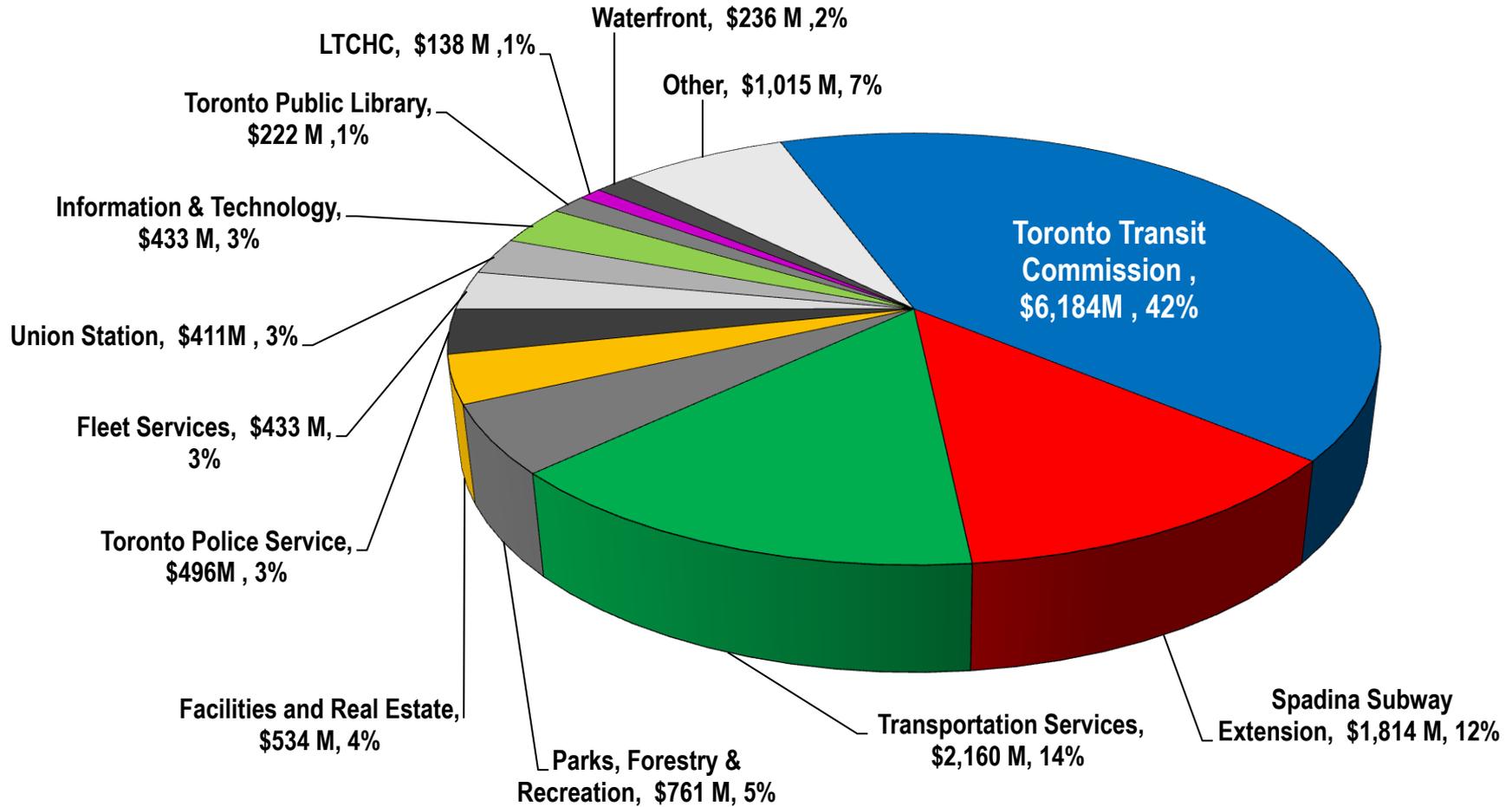
The Solution (Continued)

- Enhance Development Charges Funding
- Lower Interest Rates

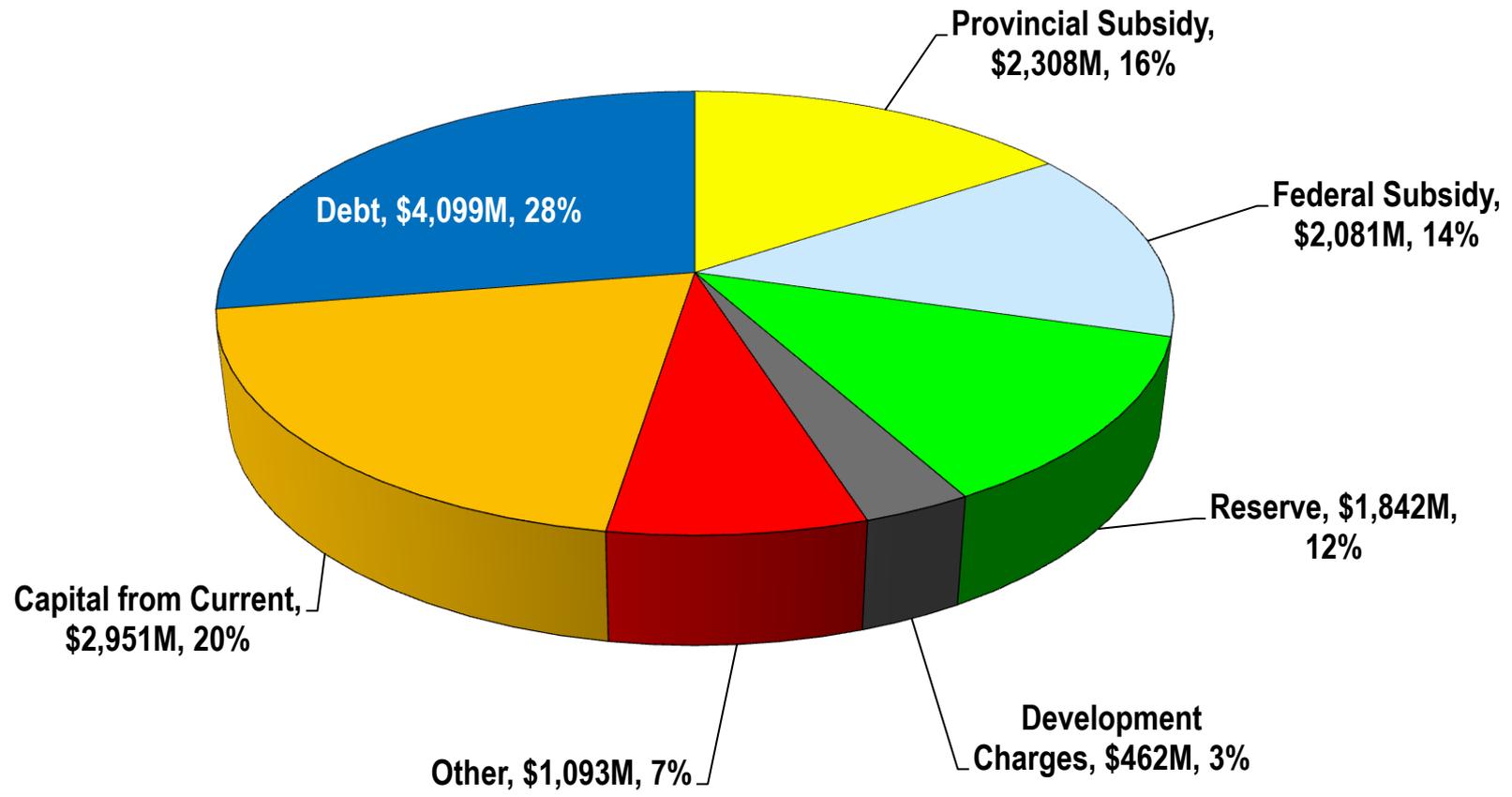
This budget accommodates a reduced TTC's 10-Year Capital Plan and significantly moderates the impact of debt charges on the Operating Budget

provided that the \$700 million target for new funding is achieved

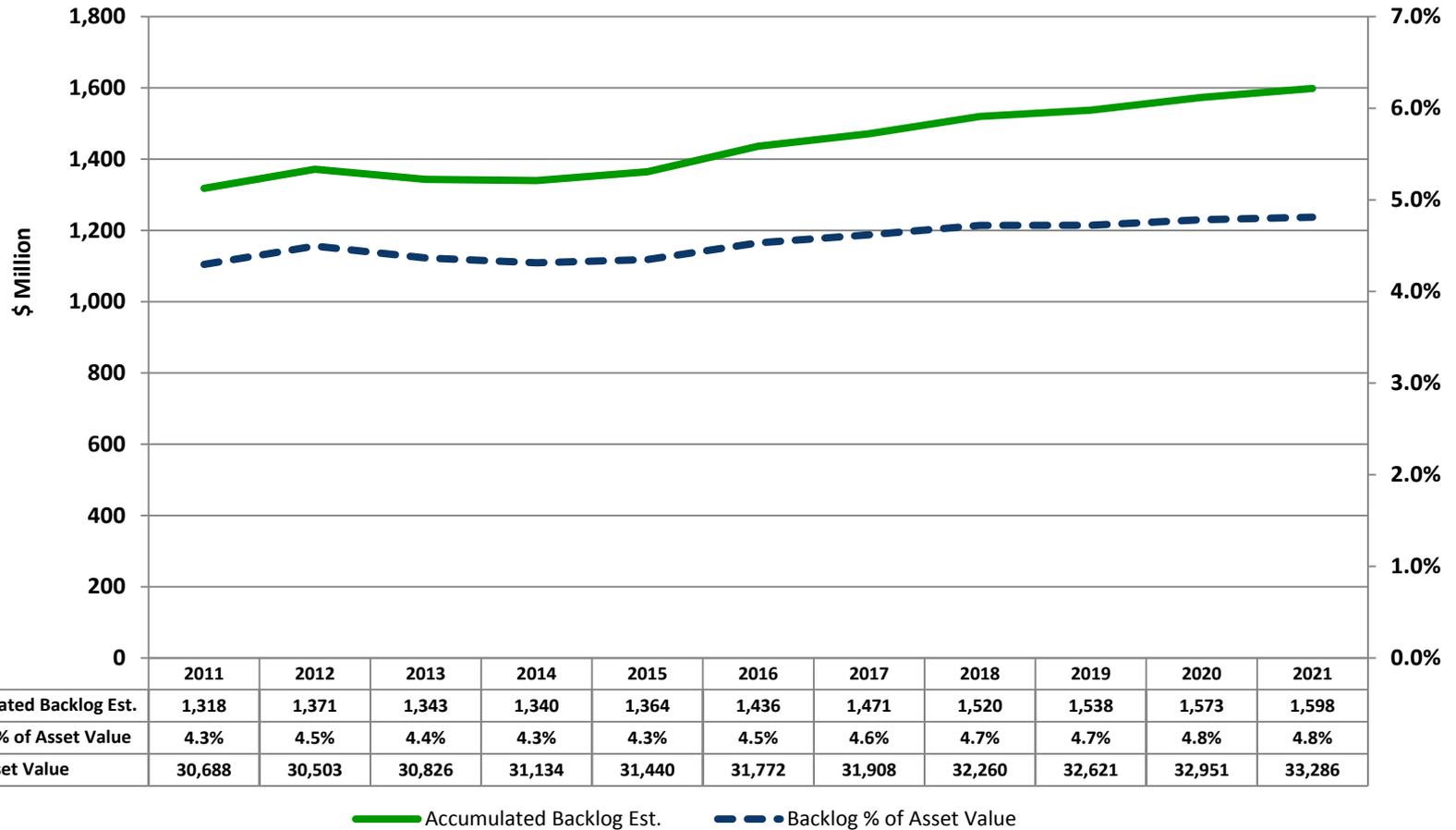
Where the Money Goes - 2012 to 2021 Tax Supported Capital Budget and Plan - \$14.836B



2012 – 2021 Tax Supported Capital Budget & Plan Financing - \$14.836 Billion



SOGR Backlog as a % of Capital Asset Value



TTC – Prior Year 2011 to 2020 Plan Submitted Vs. 2011 Rec'd Capital Budget & Commitments

\$Thousand	2011 to 2020 Submitted Capital Plan	2011 Rec'd Budget & Commitments	Remainder of 2012 to 2020 Submitted Capital Plan
Gross Expenditure	<u>7,593,365</u>	<u>3,437,034</u>	<u>4,156,331</u>
Funding Sources:			
Provincial Subsidy	1,324,993	788,294	536,699
Federal Subsidy	1,591,788	538,142	1,053,646
DC	54,009	39,161	14,848
Other	228,724	55,096	173,628
	<u>3,199,514</u>	<u>1,420,693</u>	<u>1,778,821</u>
Required Debt	4,393,851	2,016,341	2,377,510
Debt Target	2,129,122	2,129,122	112,781
Debt Shortfall	2,264,729	(112,781)	2,264,729

TTC Debt Target

- Cuts to the \$2.265 Billion Debt Shortfall

	<u>\$Million</u>
2011-2020 Debt Target Shortfall	2,265
2012-2020 Reductions	
Purchase of Subway Cars	(161)
Purchase of Streetcars	(83)
Sub-total	<u>(244)</u>
Toronto Rocket Yard & Storage Track Accommodation	(208)
Platform Edge Doors	(177)
ATC Resignalling Project	(142)
Other Buildings and Structures	(84)
Fire Ventilation Upgrade	(81)
Fare System	(38)
Other Projects	(143)
Total 2012 - 2020 Project Reductions	<u>(1,116)</u>
Net Debt	<u>1,149</u>

TTC – 2012 to 2021 Plan Submitted Vs. 2012 Rec'd Capital Budget & Commitments

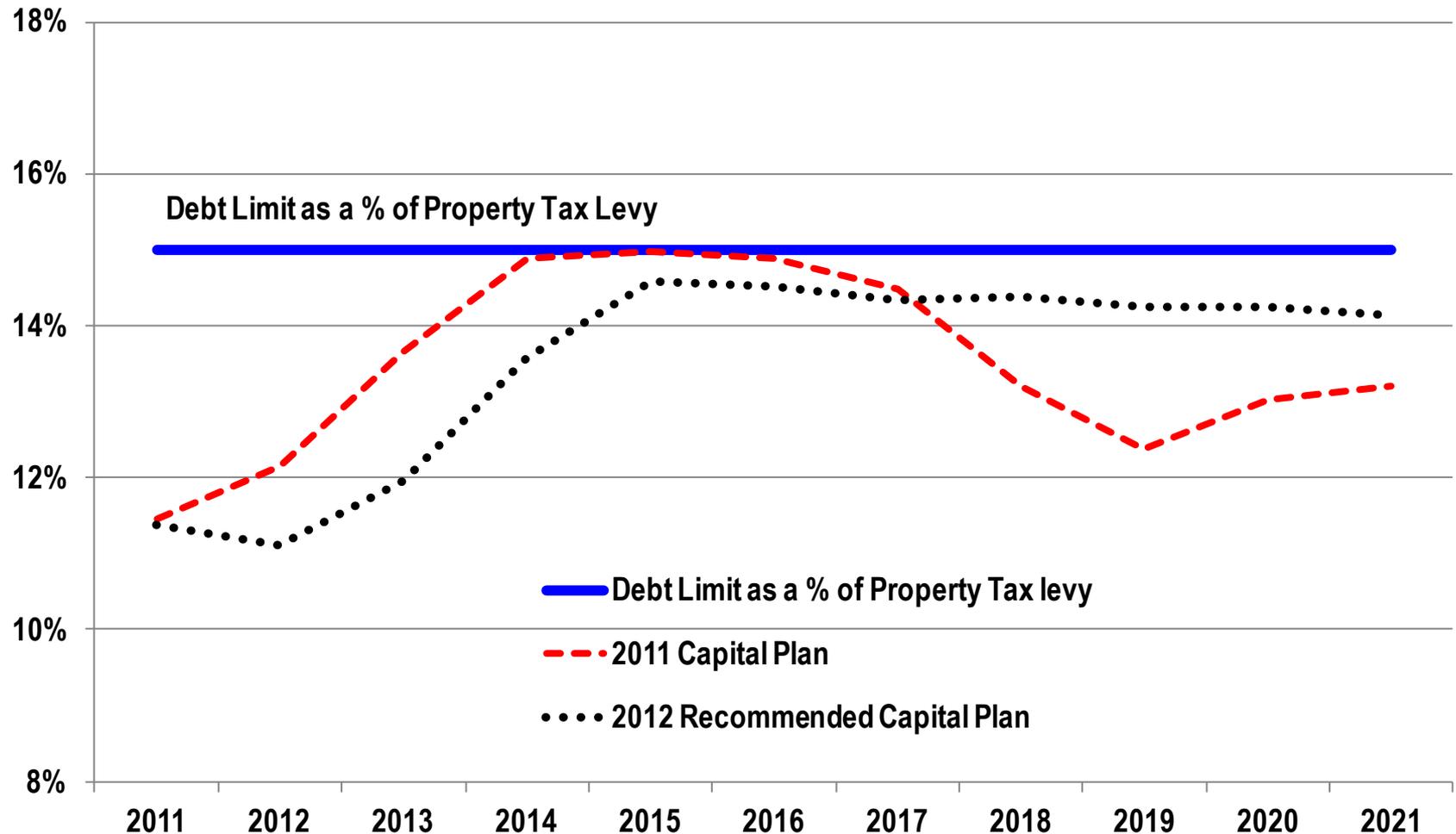
	\$Million
Net Debt	1,149
Asset Monetization Proceeds/Operating Surplus/Federal and/or Provincial Funding	(700)
Previous Year - Unused Debt Allocation	(257)
Additional Debt Target Funding	(174)
Other Funding Increases (Development Charges etc.)	(80)
Debt Target Variance - Over/(Under)	(62)

Solving the TTC Shortfall

- TTC \$2.3 billion capital shortfall solved by capital project reduction, debt reduction and \$700 million in new financing from operating surpluses, monetization of City assets and expected new federal and provincial funding
- Executive Committee recommending \$154 million surplus be applied 100% to Capital Finance Reserve to fund TTC Capital projects.
 - Return to Council's surplus distribution policy of 75% to Capital reserves, 25% to Operating reserves/liabilities, once \$700 million funding target achieved
- Partial restoration of TTC on-peak service will require \$45 million in new capital funding

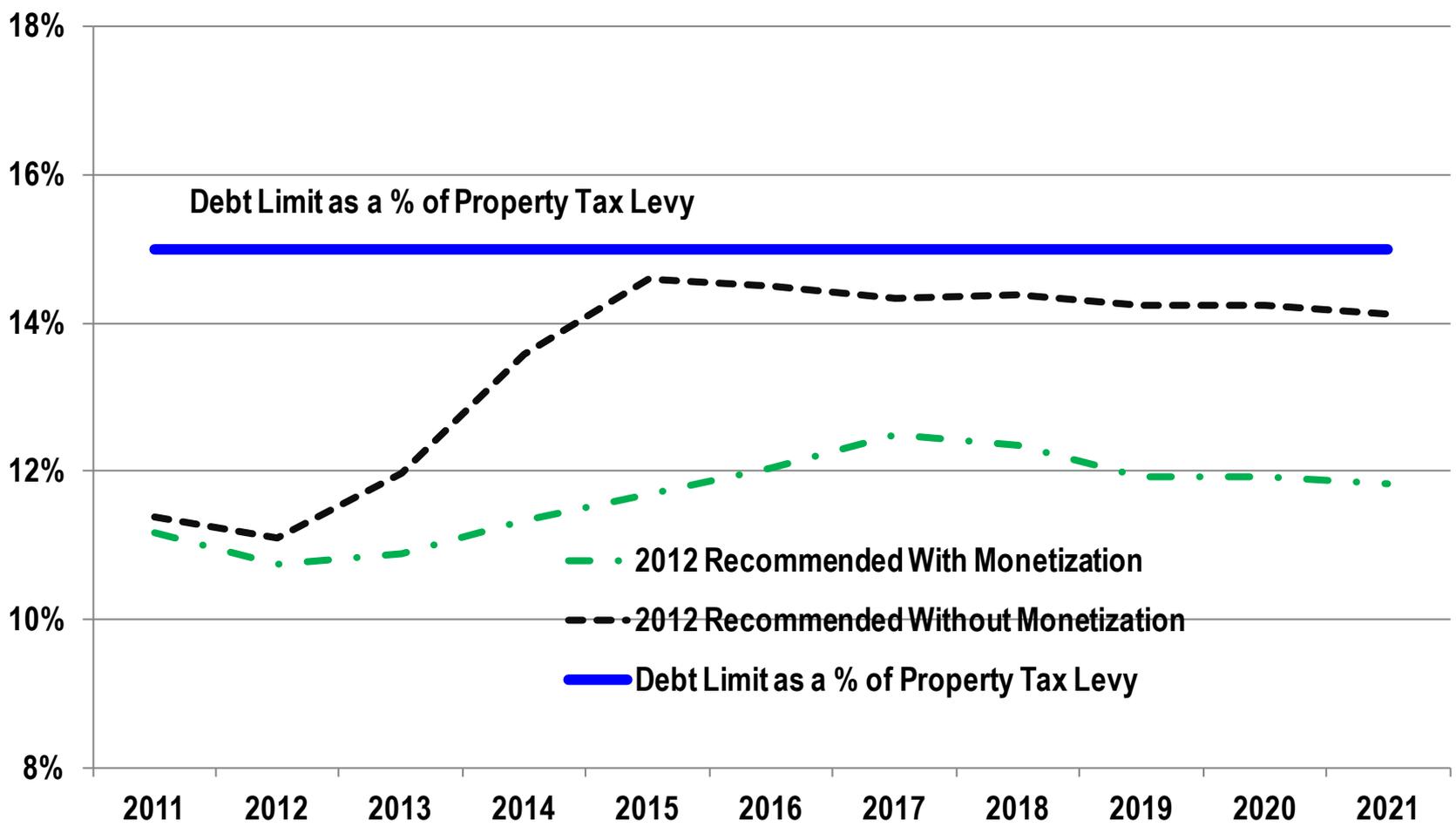
Debt Charges as % of Tax Levy

- Compare 2011 to 2012 - Without Surplus & Monetization



Debt Charges as % of Tax Levy

- Comparison of 2012 without and with Surplus & Monetization



Conclusion – Capital Budget

- The 2012 - 2021 Capital Budget and Plan Strategy is achieved:
 - Fully accommodates TTC's recommended 10 Year Capital Plan
 - Achieves a balance between maintaining existing City assets and addressing service gaps on a City-wide basis
 - Requires Surplus distribution, monetization and new Federal and Provincial funding targets to be met
 - Debt Charges moderated over the life of the plan – especially over the first 5 years of the plan

2013 / 2014 Outlook

2013/2014 Budget Outlook

	<u>2013</u>	<u>2014</u>
City One-Time Funding		
Prior Year Surplus	83	
Reserve Draws	38	31
Total Unsustainable Balancing Strategies	<u>121</u>	<u>31</u>
 Expenditure Changes:		
City & Agency Inflation - Labour/Non-Labour	243	251
Operating Impact of Capital	9	10
Capital Financing	37	52
Daycare Spaces		(29)
Other	36	13
Total Expenditure Changes	<u>325</u>	<u>297</u>
 Outlook Pressure Before Revenue Increases	<u>446</u>	<u>328</u>

2013/2014 Budget Outlook - Continued

	<u>2013</u>	<u>2014</u>
Outlook Pressure Before Revenue Increases	446	328
Revenue (Increases) and Decreases:		
Economic Growth	(117)	(106)
User Fees	(15)	(20)
Upload (OW/Security)	(16)	(28)
Reserve Draws	(31)	(5)
	<u>(178)</u>	<u>(159)</u>
Future Council Decisions:		
TTC Fare Increases	(30)	(30)
Tax Increases (2.5% residential & 0.83% non-residential)	(58)	(59)
	<u>(88)</u>	<u>(89)</u>
Total Revenue (Increases) and Decreases	<u>(266)</u>	<u>(248)</u>
Outlook Pressure Before Efficiency Target	<u>180</u>	<u>80</u>
Efficiency Savings Target	<u>(180)</u>	<u>(80)</u>
Remaining Pressure	<u>0</u>	<u>0</u>

