



# Toronto 2015 BUDGET

## OPERATING ANALYST NOTES



## Toronto Atmospheric Fund 2015 OPERATING BUDGET OVERVIEW

The Toronto Atmospheric Fund (TAF) assists in slowing global climate change and improving air quality by advancing local solutions that reduce the production of greenhouse gas (GHG) emissions and related air pollution. TAF collaborates with non-government organizations, governments, industries, corporations, official committees, neighbourhood organizations, universities and public and private schools, investments and advancement of new technologies that create a vibrant green economy.

### 2015 Budget Highlights

The total cost to deliver this service to Toronto residents in 2015 is \$2.575 million gross and \$0 million net as shown below.

(in \$000's)	2014 Approved Budget	2015 Rec'd Budget	Change	
			\$	%
Gross Expenditures	2,425.0	2,575.0	150.0	6.2%
Gross Revenues	2,425.0	2,575.0	150.0	6.2%
<b>Net Expenditures</b>				

In 2015, the Toronto Atmospheric Fund (TAF), being a self-funding organization, has increased its operating budget by \$0.150 million primarily due to inflationary and cost of living increases. This increase will be covered by fundraising, earnings from their investment portfolio and the stabilization fund.

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5. Summary of 2015 New & Enhanced Service Changes	N/A
6. Inflows/Outflows to / from Reserves & Reserve Funds	N/A
7. 2015 User Fee Rate Changes	N/A

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Fast Facts

- Over the past 20 years, the TAF has provided \$51 million in grants and financing support to the City of Toronto and its residents and businesses to reduce air emissions.
- By 2011, Toronto had reduced greenhouse gas emissions by 22%, exceeding its 2012 target of a 6% reduction in greenhouse gas emissions compared to the 1990 the Kyoto target of 22 Mega Tonnes per year.

Trends

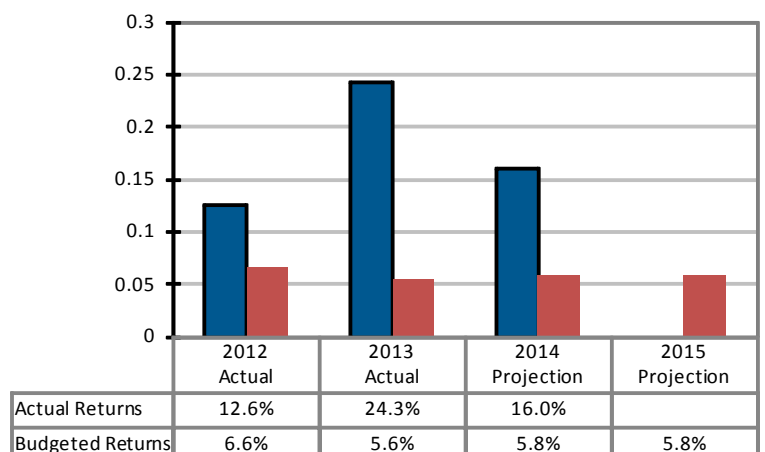
- The Toronto Atmospheric Fund attracts external revenues through fundraising activities while maintaining its investment revenues by staying within City-approved investment portfolio parameters. Over the long-term, TAF's Stabilization Fund smoothes out variability of investment earnings from year to year.
- The Toronto Atmospheric Fund's investment portfolio has averaged 10.2 % in returns over the last 4 years.

Our Service Deliverables for 2015

The Toronto Atmospheric Fund facilitates global climate stabilization by the reduction of emissions of greenhouse gas (GHG) emissions by advancing policy changes, mobilizing financial and social capital to incubate and commercialize energy efficiency projects which can be scaled-up and public education. The 2015 Operating Budget will provide funding to:

- Design, develop and implement three core programs which include incubating Climate Solutions, Mobilizing Financial Capital and Mobilizing Social Capital.
- Provide support and funding for projects related to energy efficiency, global climate stabilization and air quality improvement in co-operation with non-government organizations, governments, industries, corporations, official committees, neighbourhood organizations, universities, and public and private schools.
- Administer/manage a diversified investment portfolio with oversight by the Toronto Atmospheric Fund Board (TAF) and the appointed Investment Committee.
- Expand the TAF Grants Program to generate ideas, stimulate collaborations, and engage more stakeholders to envision and implement low-carbon solutions in Toronto.

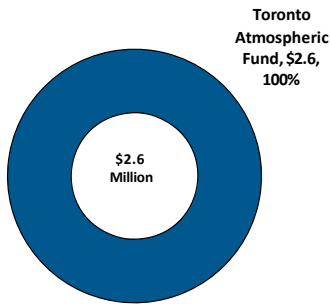
Portfolio Return



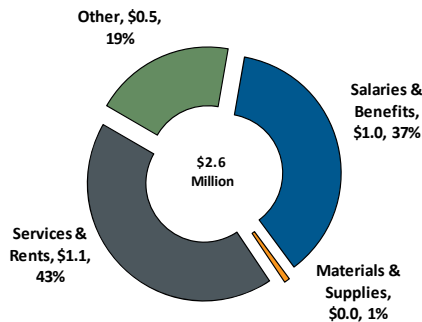
2015 Operating Budget Expenses & Funding

Where the money goes:

2015 Budget by Service  
\$2.6 Million

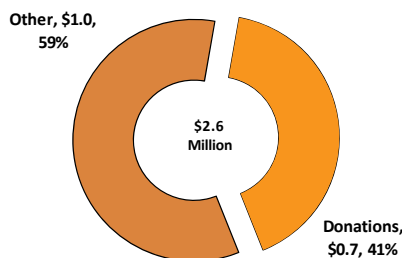


2015 Budget by Expenditure Category



Where the money comes from:

2015 Budget by Funding Source



Our Key Priority Actions

- Moving towards City of Toronto Green House Gas (GHG) reduction targets of: 6% reduction by 2012, 30% by 2020 and 80% by 2050 based on the 1990 baseline of 22 Mega Tonnes per year.
- ✓ Incubate and advance new GHG-reducing solutions through incubation, pilot testing, policy changes, social engagement and innovative financing.
- Manage fundraising to expand various program deliverables.
- ✓ Contribute to innovative, high-impact emission reduction projects undertaken by Toronto-based non-profit organizations, strategic partners, and City of Toronto.
- ✓ Prudently manage a diversified investment portfolio with Board and Investment Committee oversight, in addition to increasing fundraising initiatives to attract corporate investment.

2015 Operating Budget Highlights

- The 2015 Recommended Operating Budget of \$2.575 million gross is \$0.150 million or 6.2% over the 2014 Approved Budget of \$2.425 million gross, mainly attributable to salary increases, the cost of delivering programs and additional Grant funding.
- TAF has allocated \$0.500 million in their 2015 Operating Budget for Grants. Grants provided are driven by quality of grant applications which must meet pre-described criteria and approved by the TAF Grants Committee.
- TAF is projecting an average portfolio yield of 5.8% on its investment income in 2015 totalling \$1.605 million.

## Recommendations

The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2015 Recommended Operating Budget for the Toronto Atmospheric Fund of \$2.575 million gross and \$0 million net for the following service:

	Gross	Net
<u>Service:</u>	<u>(\$000s)</u>	<u>(\$000s)</u>
Toronto Atmospheric Fund	2,575.0	0
Total Program Budget	<u>2,575.0</u>	<u>0</u>

2. City Council approve the 2015 recommended service level for the Toronto Atmospheric Fund as outlined on page 7 of this report and associated staff complement of 8 positions.

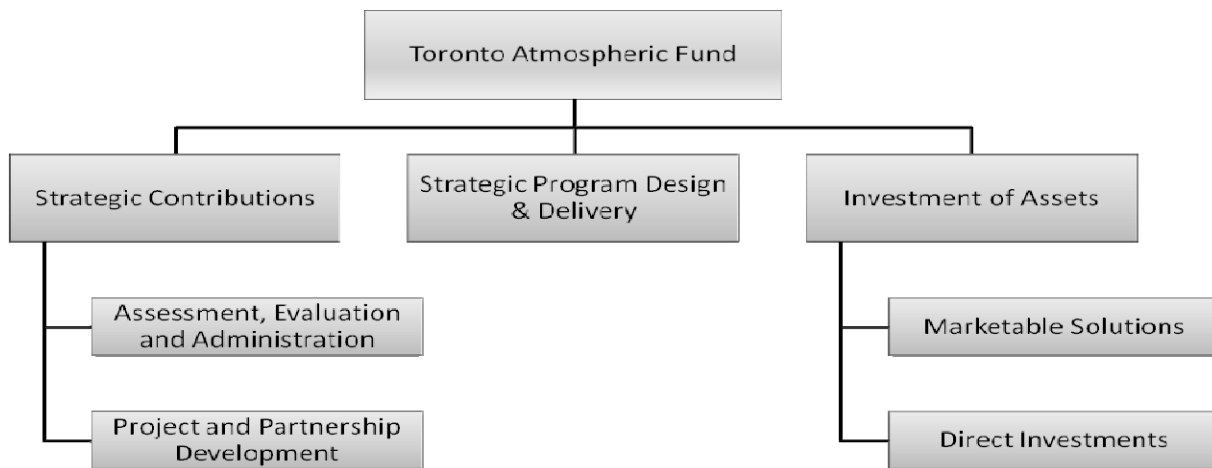


## **Part I:**

2015 – 2017

Service Overview and  
Plan

## Program Map



## 2015 Service Deliverables

The 2015 Recommended Operating Budget of \$2.575 million gross and \$0 million net for the Toronto Atmospheric Fund will be used to fund the following:

- Administer and manage a diversified investment portfolio with oversight by the Toronto Atmospheric Fund Board and the appointed Investment Committee.
- Design, develop and implement three core programs, specifically:
  - Incubate Climate Solutions;
  - Mobilize Financial Capital;
  - Mobilize Social Capital.
- Provide support and funding for projects related to energy efficiency, global climate stabilization and air quality improvement in co-operation with non-government organizations, governments, industries, corporations, official committees, neighbourhood organizations, universities, and public and private schools.
- Build and expand the TAF Grants Program to generate ideas, stimulate collaborations, and engage more people in finding and implementing low-carbon solutions in Toronto.
- Develop effective strategies to reduce emissions from natural gas used for space heating, water heating, industrial process heating, and from transportation fuels, both for commercial and personal purposes.
- Enhance TAF's external outreach by mobilizing more partners and attracting more public and private resources to fund local energy efficiency investments.
- Enhance new approaches and technologies that reduce greenhouse gas (GHG) emissions to improve air quality and create a vibrant green economy by using a customized package of tools and techniques including: policy changes, social engagement, innovative financing and renewable energy technologies.

**Table 1**  
**2015 Recommended Operating Budget and Plan by Service**

(In \$000s)	2014		2015 Recommended Operating Budget				2015 Rec.d vs. 2014		Incremental Change 2016 and 2017 Plan			
	Approved Budget	Projected Actual	2015 Rec'd Base	2015 Rec'd New/Enhanced	2015 Rec'd Budget	Budget Approved Changes		2016		2017		
	\$	\$	\$	\$	\$	\$	%	\$	%	\$	%	
<b>Toronto Atmospheric Fund</b>												
Gross Expenditures	2,425.0	2,425.0	2,575.0		2,575.0	150.0	6.2%	185.0	7.2%			
Revenue	2,425.0	2,425.0	2,575.0		2,575.0	150.0	6.2%	185.0	7.2%			
<b>Net Expenditures</b>												
<b>Total</b>												
Gross Expenditures	2,425.0	2,425.0	2,575.0		2,575.0	150.0	6.2%	185.0	7.2%			
Revenue	2,425.0	2,425.0	2,575.0		2,575.0	150.0	6.2%	185.0	7.2%			
<b>Total Net Expenditures</b>												
<b>Approved Positions</b>	8.0		8.0		8.0							

The 2015 Recommended Operating Budget for the Toronto Atmospheric Fund is \$2.575 million gross and \$0 million net. The gross budget increased by \$0.150 million or 6.2% due to the following:

- Base pressures of \$0.150 million include salary and benefit increases of \$0.004 million, and an increase of \$0.146 million in approved Grants and the costs of delivering and maintaining the current programs.
- To help mitigate these base pressures of \$0.150 million, this will be offset by external fundraising funding, revenues from implemented energy projects and revenues from its investment portfolio and/or stabilization fund if required.
- The 2016 and 2017 incremental costs are mainly attributable to increases in salaries and benefits of \$0.058 million in 2016 and expenses relating to the delivery of programs and additional grants totaling \$0.127 million.
- The Toronto Atmospheric Fund operating budget is funded by investment income earned from its endowment fund and by attracting funding from external sources. TAF is not funded from the City's tax base.

Approval of the 2015 Recommended Operating Budget will result in no change to the Agency's approved staff complement as highlighted in the table below:

**Table 2**  
**2015 Recommended Total Staff Complement**

Changes	2015 Budget		Plan	
	Toronto Atmospheric Fund	Total	2016	2017
<b>2014 Approved Complement</b>	8.0	8.0	8.0	8.0
In-year Adjustments				
<b>Adjusted 2014 Staff Complement</b>	8.0	8.0	8.0	8.0
<b>Recommended Change in Staff Complement</b>				
Prior Year Impact				
Operating Impacts of Completed Capital Project				
Capital Project Delivery				
Base Changes				
Service Changes				
New / Enhanced Service Priorities				
<b>Total</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>
<b>Position Change Over Prior Year</b>				
<b>% Change Over Prior Year</b>				



**Table 3  
Key Cost Drivers**

(In \$000s)	2015 Recommended Operating Budget	Total Rec'd 2015 Base Budget
	Toronto Atmospheric Fund	
<b>Gross Expenditure Changes</b>		
<b>COLA and Progression Pay</b>		
Progression Pay, COLA and Fringe Benefits	39.6	39.6
Base Salary Adjustment	(35.4)	(35.4)
<b>Other Base Changes</b>		
Program Delivery and Approved Grant/Loans	145.8	145.8
<b>Total Gross Expenditure Changes</b>	<b>150.0</b>	<b>150.0</b>
<b>Revenue Changes</b>		
Revenue from Project Implementation	316.0	316.0
Decrease in Donations	(166.0)	
<b>Total Revenue Changes</b>	<b>150.0</b>	<b>150.0</b>
<b>Net Expenditure Changes</b>		

Key cost drivers for the Toronto Atmospheric Fund are detailed below:

- Salary and benefit increases of \$0.044 million.
- An increase of \$0.146 million primarily due to the delivery of programs and the funding of additional approved Grants mentioned above.
- Revenue increase of \$0.316 million as a result of additional fundraising and revenues from the Stabilization Fund.
- A decrease in donations of \$0.166 million is expected based on their existing relationships with foundations and private sector programs.

Approval of the 2015 Recommended Base Budget will result in a 2016 incremental gross cost of \$0.185 million to maintain the 2014 level of service as discussed in the following section.

**Table 6**  
**2016 and 2017 Plan by Program**

Description (\$000s)	2016 - Incremental Increase					2017 - Incremental Increase				
	Gross Expense	Revenue	Net Expense	% Change	# Positions	Gross Expense	Revenue	Net Expense	% Change	# Positions
<b>Known Impacts:</b>										
Progression Pay COLA and Fringe Benefits	57.7		57.7	6.1%						
Operating Expenses (Program Delivery and Grants/Loans)	127.3		127.3	11.6%						
<b>Sub-Total</b>	<b>185.0</b>		<b>185.0</b>	<b>7.2%</b>						
<b>Anticipated Impacts:</b>										
Project Revenue Stream from Implemented Projects		185.0	(185.0)	7.2%						
<b>Sub-Total</b>		<b>185.0</b>	<b>(185.0)</b>	<b>7.2%</b>						
<b>Total Incremental Impact</b>	<b>185.0</b>	<b>185.0</b>		<b>7.2%</b>						

Future year incremental costs are primarily attributable to the following:

**Known Impacts**

- Salary and benefit increases including progression pay at and cost of living adjustments at \$0.057 million or 6.1%. The fringe benefit percentage is expected to remain at 24.0%, based on 2014 salary costs.
- The amount of \$0.127 is primarily due to the increase in program delivery, fundraising activity costs and the distribution of additional grants.

**Anticipated Impacts**

- Incremental revenues are projected to be \$0.185 million due to an increase in earnings from investments and through fundraising initiatives, and expected savings from implemented energy projects.



## **Part III:**

Issues for Discussion

## Issues for Discussion

### Achieving Reductions In Greenhouse Gas Emission Targets

The City of Toronto is at a critical point on its path towards becoming a world-leading low-carbon city. By 2011, Toronto had reduced greenhouse gas emissions by 22%, exceeding its 2012 target of a 6% reduction in greenhouse gas (GHG) emissions compared to the 1990 Kyoto target despite rapid growth in the City's population since 1990. This puts Toronto firmly on a trajectory to achieving its 2020 target of 30% reduction in GHG emissions.

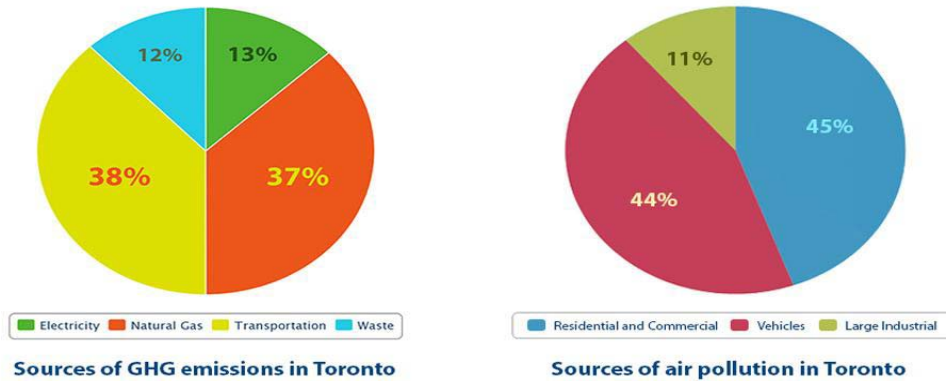
While the City of Toronto has achieved significant reductions through improved waste management since 1990 and has embraced/promoted key energy conservation efforts, most of the reductions during this period were as the result of the Ontario's coal phase-out commitment. To reach the next target, much greater attention will be needed to advance energy efficiency in buildings (both existing buildings via energy retrofits and new buildings built to higher energy standards), and to continue focusing on transportation GHG emissions which have continued to increase. Reducing GHG emissions and air pollution from all sources helps to improve public health, City's attractiveness and livability thereby attracting investment, people with capital, skills and talents to stimulate the local economy.

The latest report from the Inter-Governmental Panel on Climate Change indicates that the City of Toronto is losing ground on the climate issue. With the overwhelming evidence indicating that human-caused extreme climate events already have global impacts and municipalities are impacted especially, the report calls for a renewed and urgent mitigation efforts to slow the rate of climate change to give governments and municipalities enough time to adapt. In terms of the level of reductions necessary, the 2050 target date of 80% GHG reduction is 35 years away and given the immensity of the required change, the City of Toronto, being the largest municipality in Canada must lead by charting a path to achieve this goal.

There is growing consensus that activities to addressing climate change via innovative and system-wide solutions bring many public benefits such as reducing traffic congestion by creating more efficient public transit systems, staying globally competitive by attracting talented people with skills and capital, and creating healthier, more livable communities.

There are two major sources of GHG emissions in Toronto: 50% come from buildings (natural gas and electricity) and 38% come from transportation (gasoline and diesel). There are also emissions associated with waste disposal (12%) and a small amount from industrial sources.

In 2007, Toronto City Council approved targets to address local sources of climate change and air pollution. The established GHG reduction targets are: 6% by 2012, 30% by 2020 and 80% by 2050 compared to the 1990 Kyoto baseline. As of 2012, Toronto has achieved a 22% GHG emissions reduction primarily due to coal plants phase out. However, the gap between 2020 and the 2050 reduction targets remain huge and there a GTA-wide emissions reduction plan has yet to be formulated.



There is a City-approved target for reduction in air contaminants which was targeted to be a 20% reduction by 2012 compared to a 2004 baseline. Only a 2.8% reduction has been achieved to-date on this target.

TAF has completed a 2015-2020 Strategic Plan, guided by an ad hoc Strategic Planning Advisory Committee, in order to achieve its 2020 GHG reduction targets. The group received input from TAF staff and consultants, drew on recent research which included a review of TAF’s grants program, the development of an Income Diversification Strategy, and an analysis of low-carbon policy drivers. The 2020 target can be achieved by eliminating coal or the coal phase-out (which was completed in 2014), increasing the energy efficiency of buildings, and incrementally boosting waste diversion. The gap between 2020 and the 2050 reduction target is very challenging and no plan has been established to achieve it. TAF is collaborating with 17 other cities in order to develop strategies to achieve municipal carbon leadership and meeting the 2020 and 2050 GHG emission reduction targets.



## **Appendices:**

## Appendix 1

### 2014 Service Performance

#### 2014 Key Service Accomplishments

In 2014, Toronto Atmospheric Fund accomplished the following:

##### ADVANCING POLICIES TO REDUCE CLIMATE CHANGE EMISSIONS

- ✓ **Toronto Green Standard (TGS).** Provided support to update the Toronto Green Standard to require new buildings to exceed the Ontario Building Code (OBC) by 15% and incentives for developers who exceed OBC by 25%. The incremental improvements will save owners significant energy and money, and reduce GHG emissions.
- ✓ **Energy Reporting Requirement (ERR).** Facilitated advancement of this proposed by-law by working with various City divisions, Toronto Hydro and Enbridge, and stakeholders in the real estate sector. Mandatory energy reporting and benchmarking has been adopted in New York City, Philadelphia, Boston, Chicago, San Francisco, Seattle, Austin and major European cities with demonstrated result of accelerating energy efficiency in large buildings.
- ✓ **Property-Assessed Financing or Private Local Improvement Charge (LIC).** Convened 20+ municipalities through the CHEERIO initiative to explore how to implement the new private LIC authority. Insights supported the launch of Toronto's pilot Home Energy Loan Program to finance residential and high-rise retrofits.
- ✓ **Move the GTHA.** Supported and participated in a successful multi-stakeholder collaboration dedicated to securing dedicated funding for a sustainable regional transportation system.

##### MOBILIZING CAPITAL FOR ENERGY EFFICIENCY RETROFITS

- ✓ **Innovative retrofit financing method.** Finalized the development of the Energy Savings Purchase Agreement (ESPA), a non-debt financing structure which addresses key barriers to advancing multi-measure retrofits in buildings. The value of the ESPA was recognized nationally and internationally – TAF was a finalist for the Canada Green Building Council Innovation Award and projects won the prestigious Financial Times/International Finance Corporation (FT/IFC) Business Awards Special Commendation for Achievement in Transformational Finance.
- ✓ **Direct Investments in retrofits.** TAF's portfolio includes nine energy efficiency investments totaling \$2.7 million that were advanced prior to 2014. An additional eleven investments were approved in 2014 totaling \$8.3 million.
- ✓ **Retrofit of TCHC buildings.** Secured a \$2.6 million loan from Federation of Canadian Municipalities (FCM) backstopped by a private guarantor, for deep retrofit of seven TCHC buildings, financed via an ESPA. RFP issued for engineering and construction services and development of a methodology that can be applied to additional buildings.
- ✓ **Mobilizing private sector capital.** Founding investment in Efficiency Capital Corporation (ECC), a new company dedicated to offering ESPA financing at commercial scale (aim is \$100 million within

3 years) and transform the retrofit financing marketplace while reducing energy consumption and GHG emissions from large buildings.

#### COMMUNITY ENGAGEMENT, KNOWLEDGE-SHARING AND BEST PRACTICES

- ✓ **Granting program re-launched.** Consultation with experts and stakeholders guided program re-design to improve outcomes and ensure alignment with City objectives, with a priority focus on reducing GHGs from buildings, which account for 50% of Toronto's emissions. Grants totaling \$186K made to non-profit organizations.
- ✓ **Strategic directions for 2015-2020.** A Strategic Planning Advisory Committee with representatives from the City of Toronto, private sector, impact investing, non-profits communities which helped to frame a strategy focused on achieving the city's ambitious GHG reduction targets: 30% by 2020 and 80% by 2050.
- ✓ **TAF.ca website.** With input from external stakeholders, redesigned the website to convey TAF's mission, projects, services and accomplishments, in a mobile-friendly format.
- ✓ **Knowledge sharing on low-carbon solutions.** TAF was recognized for contributing information on the City's greenhouse gas emissions to the Toronto Community Foundation's 2014 Vital Signs report. TAF joined 70 other Clean50 Honorees (an award which recognizes excellence in sustainability across Canada) in a special message to political leaders, business leaders and citizens to act on climate change that appeared in a *Globe & Mail*. TAF led a webinar focused on the history of the fund and its innovative investments attended by a dozen C40 cities from around the world.



## 2014 Financial Performance

### 2014 Budget Variance Analysis

(\$000s)	2012	2013	2014	2014	2014 Approved Budget vs.	
	Actuals	Actuals	Approved Budget	Projected Actuals*	Projected Actual	Variance
	\$	\$	\$	\$	\$	%
Gross Expenditures	2,283.9	2,218.0	2,425.0	2,425.0		
Revenues	2,283.9	2,218.0	2,425.0	2,425.0		
Net Expenditures						
Approved Positions						

\* Based on the 9 month Operating Budget Variance Report

### 2014 Experience

- Gross Expenditures and Revenues for the Toronto Atmospheric Fund projected to be on target with the 2014 Approved Operating Budget of \$2.425 million gross and \$0 net by year-end.

### Impact of 2014 Operating Variance on the 2015 Recommended Budget

- There is no impact of the 2014 Operating Variance on the 2014 Budget.

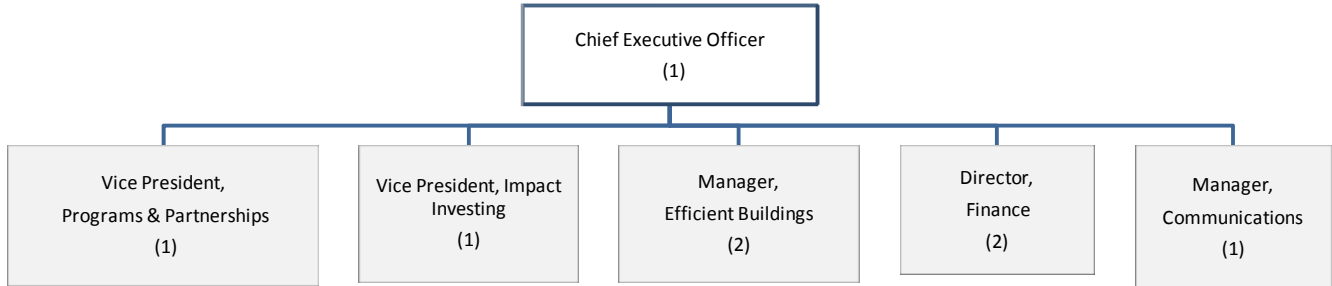
## Appendix 2

### 2015 Recommended Operating Budget by Expenditure Category Program Summary by Expenditure Category

Category of Expense (\$000's)	2012	2013	2014	2014	2015	2015 Change from		Plan	
	Actual	Actual	Budget	Projected	Rec'd	2014 Approved		2016	2017
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	782.1	801.8	948.9	948.9	953.0	4.1	0.4%	1,010.7	1,010.7
Materials and Supplies	31.1	19.6	20.0	20.0	20.0	0.4	2.2%	20.0	20.0
Equipment									
Services & Rents	121.2	167.0	1,006.1	1,006.1	1,102.0	95.9	9.5%	1,229.3	1,229.3
Contributions to Capital	301.6								
Contributions to Reserve/Res Funds	550.3								
Other Expenditures	497.6	1,229.6	450.0	450.0	500.0	50.0	11.1%	500.0	500.0
Interdivisional Charges									
<b>Total Gross Expenditures</b>	<b>2,283.9</b>	<b>2,218.0</b>	<b>2,425.0</b>	<b>2,425.0</b>	<b>2,575.0</b>	<b>150.4</b>	<b>6.2%</b>	<b>2,760.0</b>	<b>2,760.0</b>
Interdivisional Recoveries									
Provincial Subsidies									
Federal Subsidies									
Other Subsidies									
User Fees & Donations	365.8	700.0	816.0	816.0	650.0	(166.0)	(20.3%)	700.0	700.0
Transfers from Capital Fund									
Contribution from Reserve Funds									
Contribution from Reserve									
Sundry Revenues	1,918.1	1,518.0	1,609.0	1,609.0	1,925.0	316.0	19.6%	2,060.0	2,060.0
Required Adjustments									
<b>Total Revenues</b>	<b>2,283.9</b>	<b>2,218.0</b>	<b>2,425.0</b>	<b>2,425.0</b>	<b>2,575.0</b>	<b>150.0</b>	<b>6.2%</b>	<b>2,760.0</b>	<b>2,760.0</b>
<b>Total Net Expenditures</b>						<b>0.4</b>			
<b>Approved Positions</b>	<b>6.6</b>	<b>7.0</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>			<b>8.0</b>	<b>8.0</b>

### Appendix 3

#### 2015 Organization Chart



#### 2015 Recommended Complement

Category	Senior Management	Management	Exempt Professional & Clerical	Union	Total
Permanent	1.0	6.0	1.0		8.0
Temporary					
<b>Total</b>	<b>1.0</b>	<b>6.0</b>	<b>1.0</b>		<b>8.0</b>