

Loss of Toronto Pooling Compensation for Social Housing - Budget Strategy Follow Up

Budget Committee Presentation
February 13, 2015



Toronto Pooling Compensation Annual Revenue Loss (\$ millions)

YEAR	2013	2014	2015	2016	2017	2018
Original TPC schedule	149.3	142.5	135.6	128.8	121.9	115.1
TPC Elimination schedule	149.3	100.0	50.0	0	0	0
Revenue Loss	0	(42.5)	(85.6)	(128.8)	(121.9)	(115.1)

Proposed Strategy – January 29th Budget Committee

- Defer/shift a portion of the funding loss to future years
 - Temporarily reduce capital from current in operating budget
 - Replace capital funding with new short term borrowing facility
 - Phase-in budgetary adjustments to replace terminated funding, restore CFC and repay borrowing

Summary – January 29th Budget Committee

- Following review of options, staff propose the in-house approach, including:
 - Temporary reduction of capital from current
 - New short term capital financing mechanism (bank loan)
 - Budget phase-in options, and
 - Budgetary adjustments for the 2015 operating budget to eliminate any potential 2015 tax impact
- Report details to Feb. 13 Budget Committee

Toronto Pooling Compensation Revenue Loss Recommended Strategy

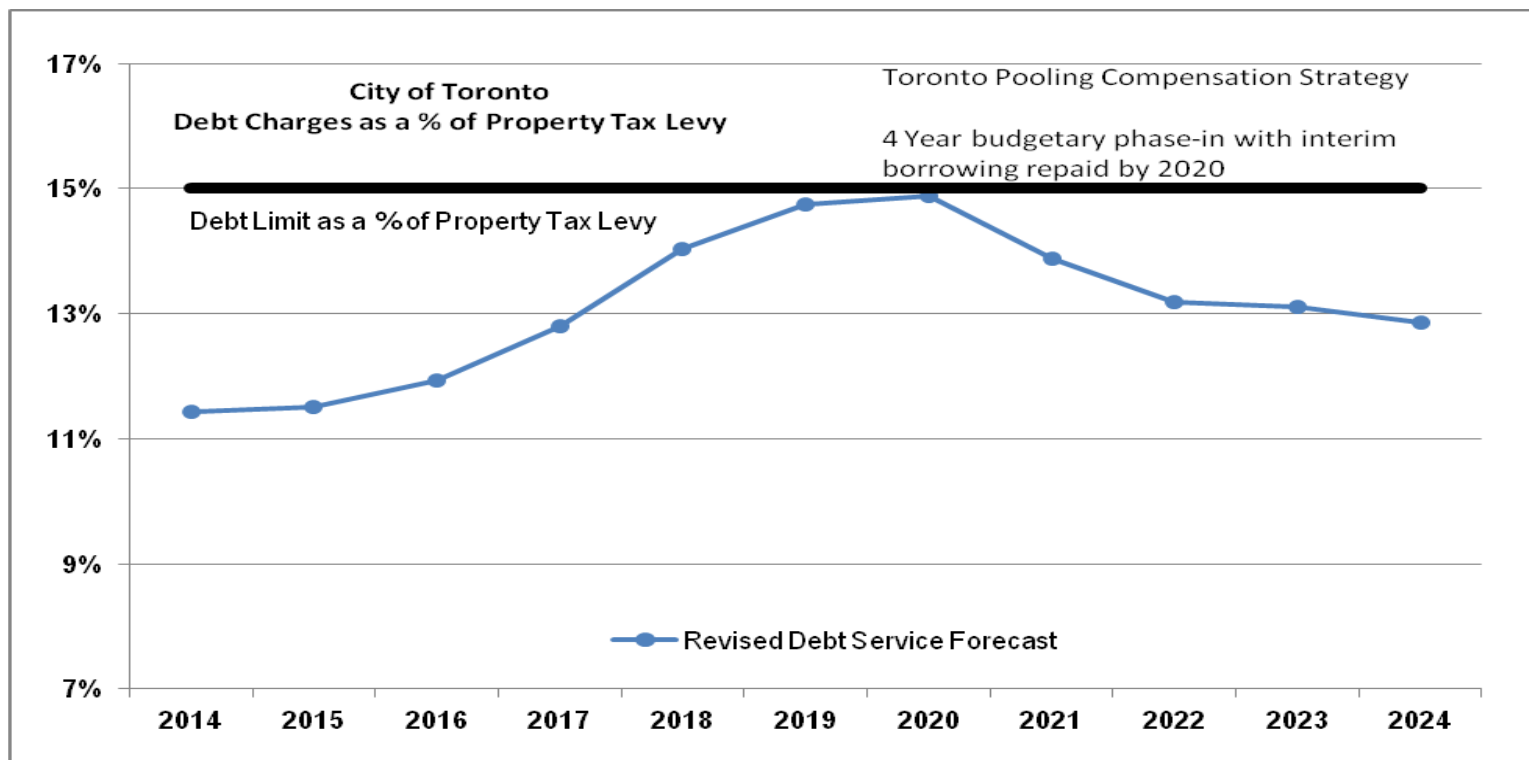
- a \$25.3m budget adjustment in 2015 and a three year schedule of \$45m adjustments and/or tax increases each year from 2016 to 2018
- Temporary reduction in Capital From Current (CFC) funding to offset revenue losses not covered by budgetary adjustments
- Full restoration of CFC by 2018
- Additional short term debt (\$130m) borrowed from the City's investment portfolio to replace CFC funding, repaid with interest by 2020

Toronto Pooling Compensation Revenue Loss 2015 Operating Budget Adjustments (\$ millions)

DIVISION/AGENCY	Amount
Cluster A	2.3
Cluster B	2.0
Cluster C	<u>2.0</u>
Total Divisions	6.3
Non-Program	9.0
Police	5.0
TTC	<u>5.0</u>
TOTAL	<u>25.3</u>

Debt Service Affordability Guideline

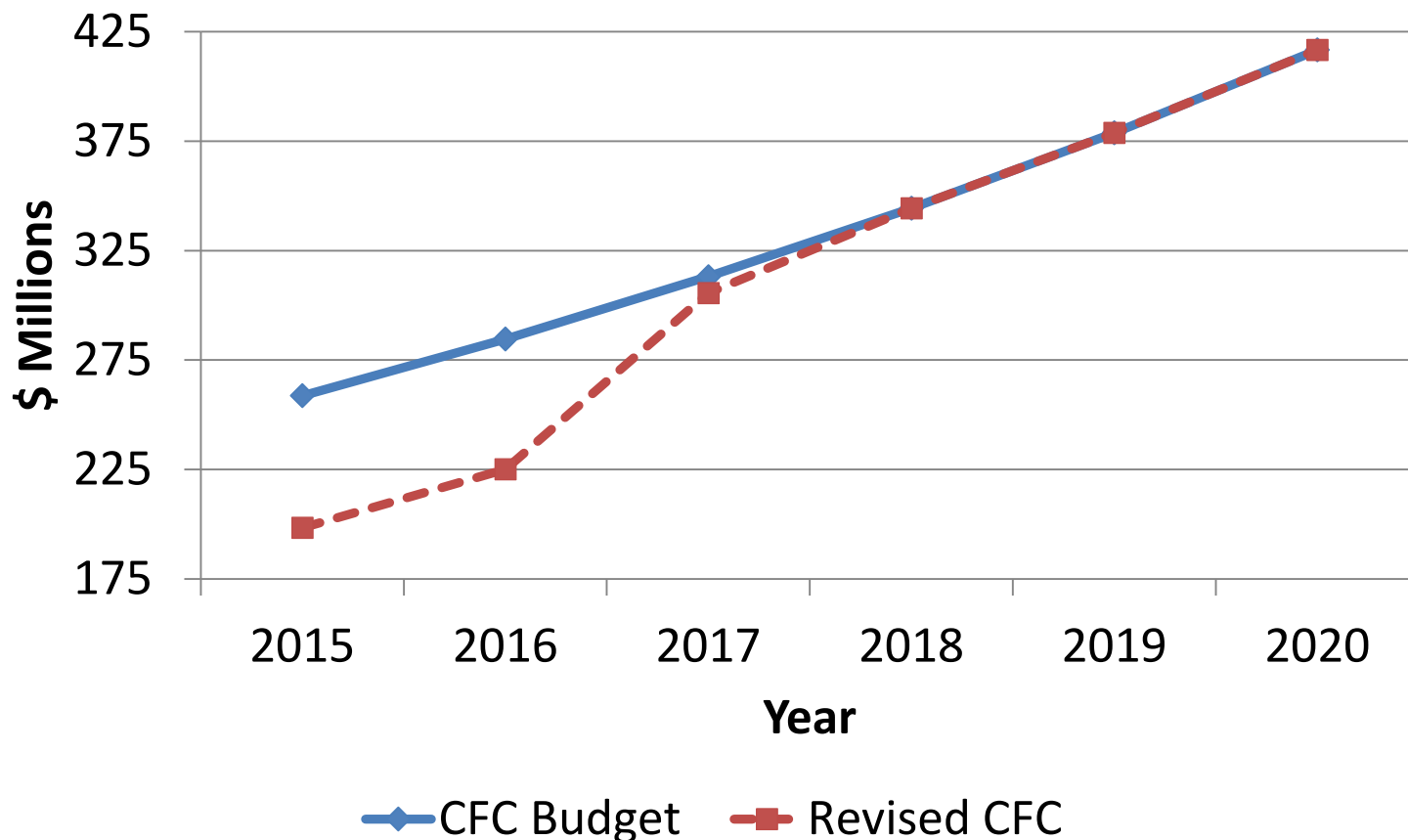
Staff will commence a detailed review of the City's 2016 – 2025 capital requirements to ensure that debt affordability targets continue to be maintained, and report to Budget Committee early in the 2016 process.



City Internal Borrowing

- Additional debt borrowed from the City's investment portfolio to replace CFC funding, repaid with interest by 2020
- Not commonly used but suits short term requirement
- Low cost, flexible, simple
- Investment fund earns return, City avoids paying market rates to third party

CFC Budget versus Revised CFC



Summary of Budgetary Adjustments and Capital Financing Plan, 4 yr Phase-in (\$ millions)

Year	2015	2016	2017	2018	2019	2020
Revenue Loss	85.6	128.8	121.9	115.1	115.1	115.1
Recommended Incremental Budgetary Adjustments	25.3	69.3	114.5	160.6	160.6	160.6
Future Residential Budget Adjustments and/or Tax Increases		1.7%	1.7%	1.7%	-	-
Borrowing	60.3	59.5	7.5	-	-	-
Short Term Interest @1.5%	-	0.9	1.8	3.3	2.2	1.1
Debt Charges	-	-	-	(45.5)	(45.5)	(45.5)
Net Amount Owing	60.3	120.7	130.0	87.7	44.4	0.0

Summary

- Significant fiscal challenge: \$129m over two years (2015/2016)
- Recommended strategy spreads pressure over four years
- 2015 adjustments begin to address the problem, with no tax impacts
- Creative, prudent, responsible course of action