Appendix B: Key Issues/Risks Facing the City of Toronto

Issues / Risk	Actions Taken with Impacts in 2015	Actions planned for 2016 and beyond
The City continues to be challenged by growing demand for services and lack of a fully diversified, predictable and sustainable set of revenue sources. Additionally, the City has a higher cost structure than other municipalities in the Greater Toronto Area (GTA).	• City Council continued to adopt strict budget guidelines for City divisions, agencies and corporations: 0% target set; achieved a 1.5% increase in net expenditures for 2015 Approved Operating Budget. • Commenced collective bargaining negotiations with Locals 416 and 79 with objective of ensuring that future salaries and benefits cost increases do not escalate above the general rate of inflation. • Continued to undertake continuous improvement, program reviews and cost containment initiatives, and to develop the service-based, multi-year Financial Planning, Analysis and Reporting System (FPARS). • Continued to benchmark operations with other Ontario municipalities. • The 2015 Operating Budget included efficiency and service changes savings of $85 million and other savings of $40 million. • During 2015, City Council directed the Deputy City Manager & Chief Financial Officer to implement shared services in the areas identified below and to report annually to City Council on the status of Shared Services projects and benefits delivered: o *Learning* – move to a consolidated model where the small Agencies use the City's common learning and training o *Insurance* – move the City's vehicle insurance from an external provider to the Toronto Transit Commission Insurance Company, if approved by the Government of Ontario o *Procurement* – evaluate and report back on a strategic sourcing model o *Information & Technology* – move to an	• Continue strict budget targets for 2016 and future years. • As part of the 2016 Budget, seek Council approval for a new dedicated property tax levy for priority transit and housing capital projects. • Develop an updated framework to provide for strategies and processes to strengthen the City's multi-year financial and budget processes, including a multi-year expense management plan, a multi-year revenue strategy, and asset optimization plans. • Continue to negotiate collective agreements with CUPE Local 416 and 79 to ensure future salaries and benefits cost increases do not escalate above the general inflation rate. • Update the analysis of the City of Toronto Act revenue potential including the impact of obtaining permission and collecting a municipal sales tax, and a range of best practice municipal funding models from North American cities that utilize diversified revenue models. • Maintain continuous improvement initiatives including enhanced performance measures and benchmarking. • Continue to develop and implement the new Financial Planning, Analysis and Reporting system to improve budget analysis and performance reporting. • Internal Audit and Auditor General continue to conduct audit reviews with a view to maintain and improve internal controls and identify opportunities for further efficiencies. • Continue to benchmark operations with other

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	Enterprise Partnership model for infrastructure services, subject to approval of final business case • Phase 1 of the Toronto Progress Portal, Toronto's Dashboard, was launched in November. The Progress Portal is intended to consolidate in one location multiple sets of City performance and indicator data and other information, and allow users to better understand how Toronto is progressing over multiple dimensions, including cost competitiveness with other municipalities • In late 2015 the Province filed regulations which now allow the possible merger of the City's five Pre-OMERS pension plans with OMERS. City staff have been working with the plans and OMERS to review potential mergers.	Canadian municipalities. • Implement a corporate Common Management Framework by 2018 to systematically measure and continuously improve, among other things, planning and financial management. • Continue to develop/evolve Toronto's Progress Portal and related Dashboard. • Continue to implement shared services between the City and its agencies for common corporate functions to improve service delivery and customer service, and /or achieve cost savings by the end of 2018. • Continue to evaluate and review business cases for possible merger of each of the City's five Pre-OMERS pension plans with OMERS.
Demands for growth as laid out in the City's Official Plan or other Sectoral and Program plans are not adequately funded	• The Province, Metrolinx and the City continued to jointly plan for new transit lines with the Province contributing $8.4 billion towards the plan. Metrolinx is responsible for delivering the, Eglinton Scarborough Crosstown, Finch West and Sheppard Ave East Light Rail Transit (LRT) projects, and the Province/Metrolinx have agreed to contribute to the City's Scarborough RT replacement (subway) project. • Updated the City's Development Charges Bylaw to include the growth related of the Scarborough Subway Extension (SSE) project costs. • As part of recent changes in the Development Charges By-law, 2015 represents the second year of a three-year (2014 –2016) phase-in of the Council-adopted development charge rate increases.	• Continue to refine cost estimates related to growth plans. • Continue to work with the Province and Metrolinx to plan new transit lines. • Update the development charges bylaw to reflect updates to the City's growth-related capital plans and changes to Provincial legislation. • Continue to direct funding to the infrastructure backlog. • Continue special 30-year property tax levy for the Scarborough Subway Extension Project with a three-year phase-in period that started in 2014.
There is a variability in certain program expenditures from year to year, some of which are vulnerable to economic down turns and interest rate fluctuations	• Continued to work with the Province on a Toronto-Ontario partnership agreement on permanent, sustainable transit operating funding. • Continued to monitor and take action on other	• Continue to work with the Province to operationalize the upload and refine the relationship regarding social and related services: Ontario Works (OW) benefit costs upload, which began in 2010 will be

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	risks impacting the City with potential financial impacts: o Climate change adaptation and environmental risks management. o Interest rate changes on Social Housing costs, investment returns and debt charges. o Affordable housing alternatives and the end of federal subsidies. • Continued to work with OMERS on urging the Province to file the required regulations under the Pension Benefits Act governing pension plan mergers. • In accordance with the City's Surplus Management Policy, select Reserves and Reserve Funds were allocated 2014 Operating Surplus funds to accommodate fluctuations in demands.	completed by 2018. • Through the Social Service upload, the Province has re-established the principle that income support programs should not be funded from the property tax base. As such, the City will continue its discussion with the Province regarding its funding responsibilities for Social Housing. • Continue to work with the Province on the agreed upload of court security costs by 2018. • Continue to negotiate with the Province on permanent, sustainable transit operating funding (50% of transit operating costs) and the need for additional capital funds. • Implement the new Community Homelessness Prevention Initiative (CHPI). • Closely monitor key economic indicators and market conditions to identify trends and forecast impacts on expenditures and revenues, and continue to develop funding strategies to mitigate financial risks. • Continue to monitor the adequacy of the City's Reserves and Reserve Fund balances.
Business property taxes are not competitive with the surrounding urban area (905 area code)	• The City has continued the implementation of "Enhancing Toronto's Business Climate" initiative, adopted by City Council in October 2005 – a plan to reduce the ratio for property tax rates for businesses (i.e. commercial and industrial and multi-residential properties) to 2.5 times the residential tax rate by 2020 (a 15 year plan); and further, to provide for an accelerated reduction in tax rates for smaller businesses, with a target of 2.5 times the residential rate by 2015, which was met in 2015. The estimated benefit to businesses over the 15-year period is approximately $250 million. • Council approved a modest property tax increase for residents and businesses for 2015.	• Council approved a modest property tax increase for residents and businesses in February 2016. • Continue the implementation of the "Enhancing Toronto's Business Climate" initiative. Council is on track to meet its targets of 2015 and 2020.

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The City lacks adequate revenue sources to fund its municipal responsibilities	• Funding for capital projects from other orders of government has been secured over the years. These include: Share of federal and provincial gas taxes ($300 million per year); Transit Plan ($9 billion); Economic Stimulus Project funding ($460 million 2009 to 2011); and funding for the construction of sports facilities for the 2015 Panam/Parapan Am Games ($1 billion). • Municipal Land Transfer Tax (MLTT) continued to attract a record level of revenue in 2015 ($524 million).	• Update the analysis of the City of Toronto Act revenue potential to include the impact of obtaining permission and collecting a municipal sales tax, and a range of best practice municipal funding models from North American cities that utilize diversified revenue models. • Report back to Council on ways to maximize existing and new revenues • Continue to work with the Provincial and Federal governments to secure long term permanent funding solutions for such items as social housing and transit. • Continue to budget cautiously for MLTT to avoid negative budget impacts and contribute to any surplus to fund the capital shortfall.
Improper funding of Provincial cost-shared programs and reduced funding for Social Housing has resulted in significant financial pressures to the City	• The Province continued to honour its cost sharing formulae for Ontario Works. • The City of Toronto and Toronto Community Housing continued to urge the Federal and Provincial governments to help maintain traditional social housing funding and contribute an equal 1/3 share for Toronto Community Housing's anticipated $2.6 Billion in capital repair needs over ten years. In addition, the City is urging equity on rent subsidies, as private landlords currently receive higher rent subsidies than TCHC. • Social services programs engaging provincial counterparts regarding existing funding formulae to urge removal of funding caps and to provide funding for inflation and other program cost increases.	• Province to continue honoring its planned cost sharing formulae for Ontario Works and Court Security. • Continue to highlight costs and funding requirements in areas of joint City / Provincial responsibility, such as social housing, long-term care, shelters and child care. • Continue to implement additional mortgage refinancing of Toronto Community Housing mortgages to free up equity for State-of-Good-Repair capital. • Advocate for a fairer and larger allocation of the Federal/Provincial Investment in Affordable Housing funding. • Seek Council approval of a "Made-in-Toronto" child care funding model that will direct Provincial and City of Toronto funding in a more effective and targeted manner.
City's investment in ageing infrastructure has been lagging	• The City continued to plan for capital on a 10 year basis. • Continued to implement a non-debt capital funding plan to help fund an additional $3.0	• Continue to develop firm 10-year Capital Plans with an emphasis on the state of good repair activities. • Complete transition to a multi-year, service-

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	billion in capital project requirements related to transit transportation, facilities, technology and water/wastewater infrastructure from operating budget surpluses, increases in Development Charge revenues, sale of assets and dividends from City agencies and corporations. • Continued to set aside funds in the Capital Financing Reserve and other Capital Replacement Reserve Funds. • Continued to grow Capital-from-Current funding by 10% annually.	based operating budget and plan. • Continue in the implementation of the non-debt capital funding strategy to fund additional TTC and Transportation Capital shortfalls identified in the ten year (2015 to 2024) Capital Plan. • Continue to grow Capital-from-Current funding by 10% annually. • Continue to seek funding for transit projects from provincial and federal governments. • Continue advocacy campaigns to restore provincial and federal funding for social housing and the development of a National Housing Strategy.
Employee benefits and other long-term liabilities are not adequately funded	• The City updated the actuarial reviews of its employee benefit plans. • The City has continued its objective of implementing cost containment changes to benefit plans, including the retiree plans that have helped reduce the post-retirement liabilities. • In 2012 and 2013 changes to the benefit plans, including limits to para-medicals, dispensing fee cap, one year lag for dental fee guide, limitation for physiotherapy, limitation for orthopaedic shoes. • In 2013, the post-65 lifetime retiree benefit plan for former Toronto and North York Fire fighters was eliminated and replaced with a 10 year Health Care Spending Account. • The sick bank payout for new Fire fighters hired after June 26, 2013 was reduced from 100% of the available sick credits to 50%, to a maximum of 6 months' salary. • Funding contributions were made to employee benefits reserve funds from the 2011-2014 operating budget surpluses. • Commenced collective bargaining negotiations with Locals 416 and 79 with objective of ensuring	• Implementation of approved strategies to reduce the funding gap between employee benefits reserve and the liabilities: o First stage: to require City's agencies and corporations to contribute annual funding to the Sick Leave Reserve Fund to match budgeted withdrawals (pay as you go); and, o Second stage: to revise the annual benefit charges to Divisions and applicable City's agencies and corporations to reflect additional funding requirements for retired employees, employees on long-term disability, workplace safety (pre-amalgamation) and sick leave gratuity payouts. This is scheduled for implementation in advance of the 2017 budget. • Continue to negotiate collective agreements with CUPE Local 416 and 79 to ensure future salaries and benefits cost increases do not escalate above the general inflation rate.

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