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2016 OPERATING BUDGET BRIEFING NOTE

Tree Planting Program – Funding Options

This note responds to the January 11, 2016 Budget Committee's request that the Deputy City Manager and Chief Financial Officer, in consultation with the General Manager, Parks, Forestry and Recreation, provide a budget briefing note on how the City could fund the Mayor's tree protecting goal of increasing the planting budget by \$7 million per year by 2018.

Issue/Background

- In 2008, City Council approved the 8-Year Urban Forestry Service Plan to achieve the 40% tree canopy target by the year 2050 and authorized the use of \$48.0 million from the Environment Protection Reserve Fund towards enhancement and protection of the City's tree canopy and to allow the phase in of \$22.0 million of incremental annual spending from property tax funding by 2016.
- In 2011, the additional funding for the Urban Forestry Service Plan was put on hold due to City budget pressures and was further held in 2012 when City Council adopted the recommendation in the staff report entitled "[Revising the Timeframe to Achieve the City's Tree Canopy Goals](#)" that extended the Service Plan by 7 years from 2016 to 2023 in order to address the Emerald Ash Borer (EAB) infestation.
- Total expenditures for EAB management are estimated at \$74.7 million, of which \$64.9 million will be funded from the Sustainable Energy Reserve and \$9.8 million from the property taxes.

| EAB FUNDING PLAN (in millions) | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total (2011- 2019) |
|-----------------------------------|------------|------------|-------------|-------------|-------------|-------------|------------|------------|------------|--------------------------|
| Annual Total | 1.6 | 5.2 | 11.6 | 10.8 | 18.5 | 14.2 | 7.1 | 2.2 | 3.5 | 74.7 |
| Sustainable Energy Reserve | 0.0 | 3.6 | 10.0 | 9.0 | 16.9 | 12.6 | 7.1 | 2.2 | 3.5 | 64.9 |
| Property Tax Funding | 1.6 | 1.6 | 1.6 | 1.8 | 1.6 | 1.6 | 0.0 | 0.0 | 0.0 | 9.8 |

- As part of the 2013 Budget process, City Council requested that consideration be given to reinstating the original timelines in the 2008 Urban Forestry Service Plan in the 2014 Budget cycle. Parks, Forestry and Recreation submitted an enhanced service priority of \$2.0 million for this purpose and it was not included as the City faced more pressing financial needs.
- On February 13, 2013, City Council approved the [Strategic Forest Management Plan](#) which reiterated the target to increase the tree canopy to 40% over the next 40 to 50 years. The Plan included four service pillars:
 - 1) Maintenance of the Urban Forest

- 2) Protection of the Urban Forest and Natural Heritage
- 3) Planting to Expand the Urban Forest
- 4) Planning to Ensure Strategic Advancement of Forest Management Objectives

- Over the period of 2009-2024, a total incremental amount of \$22.0 million is planned in order to achieve the tree canopy goals (detailed below) with a total of \$48.0 million from the Environmental Protection Reserve; and \$7.0 million from tree deposit deferred revenue.

| Revised Service Plan (in millions) | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total (2009-2024) |
|--|------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| Tree Maintenance | 2.1 | 4.9 | 5.7 | 5.7 | 5.7 | 5.1 | 5.7 | 5.7 | 8.2 | 12.1 | 12.1 | 15.4 | 15.4 | 15.6 | 15.9 | 15.9 | 151.2 |
| Tree Planting | 1.1 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 2.6 | 3.6 | 3.6 | 4.5 | 4.5 | 4.6 | 4.8 | 4.8 | 45.3 |
| Tree Protection | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 | 1.1 | 1.1 | 14.2 |
| Planning | | | | | | | | | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 1.6 |
| Total Service Plan Expenditures | 3.9 | 7.3 | 8.1 | 8.1 | 8.1 | 7.5 | 8.1 | 8.1 | 11.9 | 16.8 | 16.8 | 21.0 | 21.0 | 21.5 | 22.0 | 22.0 | 212.3 |
| Environmental Protection Reserve | 2.6 | 5.6 | 6.2 | 6.2 | 5.4 | 3.2 | 2.7 | 0.7 | 1.0 | 4.0 | 2.1 | 5.4 | 2.2 | 0.4 | 0.4 | | 48.0 |
| Deferred Tree Revenue | | | | | | | | 0.8 | 0.8 | 0.8 | 0.8 | | 1.3 | 1.7 | 1.0 | | 7.0 |
| Property Tax Funding | 1.3 | 1.7 | 1.9 | 1.9 | 2.7 | 4.4 | 5.4 | 6.7 | 10.2 | 12.1 | 14.0 | 15.6 | 17.5 | 19.4 | 20.6 | 22.0 | 157.3 |
| Total Service Plan Funding | 3.9 | 7.3 | 8.1 | 8.1 | 8.1 | 7.6 | 8.1 | 8.1 | 11.9 | 16.8 | 16.8 | 21.0 | 21.0 | 21.5 | 22.0 | 22.0 | 212.3 |
| Incremental Property Tax Amount | | 0.4 | 0.3 | | 0.8 | 1.7 | 1.0 | 1.3 | 3.5 | 1.9 | 1.9 | 1.7 | 1.9 | 1.9 | 1.1 | 1.4 | |

- The intent is to provide a sustainable funding plan to achieve the tree canopy goals and gradually reduce reliance on one-time funding sources and provide ongoing funding from property taxes.
- Based on the current projection, the increase of \$22.0 million of annual service plan spending will be funded entirely from property taxes by 2024 in order to achieve the 40% tree canopy target by the year 2057.
- The current Urban Forestry Service Plan is managed using a consolidated funding plan that addresses both the management of the EAB infestation, as well as the tree canopy goal.
- The 2016 Parks, Forestry and Recreation Preliminary Operating Budget includes \$22.3 million for the consolidated plan of which \$8.1 million is for tree planting, tree protection and tree maintenance related to the Urban Forestry Service Plan, and \$14.2 million is for management of EAB through removals, injections and replacement planting of street trees. The \$22.3 million in funding enables approximately 27,000 tree plantings and 119,000 work orders for tree maintenance.
- The Parks, Forestry and Recreation Operating Budget also includes planting, maintenance and tree protection funding of \$43.7 million which allows for the planting of 36,100 trees and 231,000 work orders for tree maintenance and protection.
- The 2016 Toronto Water Approved Operating Budget includes a tree planting budget is \$1.95 million and is used to plant approximately 37,000 trees to reduce storm water flow and increase tree diversity, habitat and canopy.

- The 2016 Transportation Services Preliminary Operating Budget includes \$0.75 million for planting approximately 5,000 trees on streets that are under a construction moratorium.
- In total, through Parks, Forestry and Recreation, the City is able to plant 105,100 trees and complete over 350,000 work orders for tree care, maintenance and protection.

New & Enhanced Request to Re-Establish Original Strategy

- In response to the [Service Level Review request](#), Parks, Forestry and Recreation submitted a New & Enhanced request totaling \$13.7 million over 8 years that would allow Urban Forestry to return to the original tree canopy goal of increasing the Urban Forestry Operating Budget by \$22.0 million as established by City Council in 2008.
- As detailed in the plan below, full funding of \$22.0 million would be achieved by 2019.

| Re-establish Service Plan Time Frame (in millions) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total (2016-2023) |
|--|------------|------------|------------|------------|------------|------------|------------|------------|-------------------|
| Revised Service Plan (Council approved 2012) | 8.1 | 11.9 | 16.8 | 16.8 | 21.0 | 21.0 | 21.5 | 22.0 | 139.1 |
| Re-established Service Plan | 9.8 | 13.9 | 18.9 | 22.0 | 22.0 | 22.0 | 22.0 | 22.0 | 152.8 |
| Additional Funding Required | 1.7 | 2.0 | 2.1 | 5.2 | 1.0 | 1.0 | 0.5 | 0.0 | 13.7 |

- If additional funding of only \$1.664 million were to be approved in the 2016 Preliminary Operating Budget, it would result in the planting of approximately 3,500 new trees and maintenance of approximately 12,000 trees.
- For 2016, this would result in the planting of 108,600 trees and 362,000 work orders for tree care, maintenance and protection.

Factors to be Considered

- Expanding the tree canopy requires a sustained focus on maintaining, protecting and planning for the existing urban forest as well as new tree planting.
- Of the 10.2 million trees in the City of Toronto, about 6% (600,000 trees) are City-owned street trees, 34% (3.5 million trees) are in City parks and natural areas, and 60% (6.1 million trees) are on private lands.
- Parks, Forestry and Recreation is exhausting the large public spaces on which trees can be planted, requiring the use of smaller spaces where specialized site preparation and access restrictions increase planting costs.
- Increased funding of \$7.0 million annually will allow for approximately 60,000 additional trees to be planted each year and an additional investment of \$3.3 million would be required for young tree care and maintenance to ensure their survival. For a total annual investment of \$10.3 million.

- Increased funding of \$7.0 million annually would allow for approximately 41,000 additional trees to be planted at a cost of \$4.7 million with the balance of \$2.3 million used for young tree care and maintenance to ensure their survival.
- Reaching the tree canopy target can be achieved through full funding of the [Urban Forestry Service Plan](#), which will provide the additional funding required to increase current planting of 105,000 trees annually to 130,000 trees annually by 2023 as well as the increased tree maintenance and tree protection which are also critical components for success.
- Tree maintenance requirements and expectations need to be addressed in part through progressive implementation of a city-wide proactive area tree maintenance program to bring the average pruning cycle to approximately 7 years; reducing tree service delay to 3 to 6 months; reducing tree mortality in new street tree plantings; and improving public awareness of proper tree care and maintenance techniques.
- During the 2015 budget process, funding of \$0.05 million was provided for Parks, Forestry and Recreation division, in consultation with Toronto Water, Transportation Services, City Planning and Economic Development and Culture, to develop a Tree Planting Strategy to reach the City's target of 40% tree canopy cover over the next 40 years. A staff report is expected in the Spring of 2016 that will provide an update on the Tree Planting Strategy.

Funding Toronto's Canopy Target

Parks, Forestry and Recreation has included all available funding sources as part of the 2016 Preliminary Operating Budget.

A range of additional funding sources could be considered as potential funding sources to achieve the tree canopy goals other than property taxes. Each revenue source would require further analysis on their feasibility including the time to implement, administrative costs and the corresponding revenue that could be generated.

Tree Canopy Reserve

- As part of the 2015 Budget process, City Council approved the establishment of a Tree Canopy Reserve with an initial one-time contribution of \$1.0 million from the Toronto Water Stabilization Reserve.
- Future contributions to the Tree Canopy Reserve Fund would be made from underspending in the Toronto Water tree planting budget.
- The 2016 Preliminary Operating Budget does not include any withdrawals from this reserve as it was not available at the time of the 2016 Budget's preparation. The staff report entitled "[Administrative Amendments to Reserve Fund Accounts – 2015](#)" establishing the reserve is pending City Council approval.

Donations and Partnerships

- PFR continues to undertake a variety of partnerships and initiatives through our Partnerships Unit as well as with third-party organizations such as the Toronto Parks and Trees Foundation and Trees Across Toronto (TAT). Donations have not provided a significant ongoing source of funding to date.
- Further opportunities for Corporate support and sponsorship would need to be explored.
- Similar to the City of Toronto Private Tree By-law that requires a tree replacement ratio of 3 to 1 for construction related permit approval, Urban Forestry together with City Planning could explore further opportunities to maximize tree planting on private property.

Tree Permit Fees

- The Comprehensive User Fee Review process determined that the majority of Parks, Forestry and Recreation user fees meet a number of City policy objectives and would recover less than the full cost of providing the service.
- The extent to which the Urban Forestry fees should be subsidized to meet the City's objectives has not been explicitly considered by City Council;
- Urban Forestry user fees of just under \$2 million annually including application and inspection fees achieve only partial (but substantial) cost recovery.
- A comprehensive review of Urban Forestry user fees is expected to be complete prior to the start of the 2017 Budget process.
- If Urban Forestry fees were increased to recover a higher percentage of the cost of service, the additional revenue generated could be contributed to the Tree Canopy Reserve for tree protection, but an increase would have to consider the public benefits of the services and appropriate subsidies.

Deferred Tree Revenue

- Through the tree permit process, Urban Forestry receives cash in lieu and compensation for tree injury/removal. These funds are credited to a deferred revenue account and are used to offset the cost of alternate tree planting, remedial maintenance and removals to fulfil the permit conditions under which the deferred revenue was received.
- The 2016 - 2018 Preliminary Operating Budget includes the maximum amount of withdrawals from this account. If the amount were to increase, the Program could not ensure that sufficient funding would remain in the account for future obligations. The 2016 Preliminary Operating Budget includes \$5.8 million in withdrawals and the annual budgeted draw will be reduced to \$2.8 million by 2018 and \$2.0 million by 2024.

- Average annual deposits to the deferred revenue account are currently estimated to be \$2.0 million.

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