The City of Toronto’s Long-Term Financial Direction
Introduction

• The City has been able to achieve balanced budgets on an annual basis, despite underlying concerns regarding sustainability.

• The staff report:
  • reviews the expense and revenue patterns of recent budgets
  • provides early/basic forecasts of future expense pressures and revenue performance
  • outlines a series of principles and directions to ensure long-term financial stability.

• Circumstances of the recent past have been uniquely favourable.
• Trends do not form a reliable basis for future fiscal planning.
• Changes in both expense and revenue management are likely to be required.
City Governance

City Council has direct control of 43% of the Budget

$11.8 Billion

- Direct City Control, 5,026.2, 43%
- Agencies (Indirect), 3,498.5, 30%
- Provincially Funded (Cost Shared), 2,743.0, 23%
- Debt Charges, 486.7, 4%
Change in Gross Expenditures - 2005 to 2016

6.0% average annual growth

2.3% average annual growth
### Gross Expenditure Per Resident (Adjusted for inflation & population)

<table>
<thead>
<tr>
<th>Year</th>
<th>City Operations, Agencies, &amp; Corp Acc</th>
<th>Health &amp; Social Services</th>
<th>Emergency Services</th>
<th>TTC</th>
<th>Water, Waste, &amp; Parking</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$1,355</td>
<td>$1,190</td>
<td>$626</td>
<td>$618</td>
<td>$508</td>
</tr>
<tr>
<td>2011</td>
<td>$1,354</td>
<td>$1,180</td>
<td>$612</td>
<td>$618</td>
<td>$520</td>
</tr>
<tr>
<td>2012</td>
<td>$1,341</td>
<td>$1,080</td>
<td>$608</td>
<td>$604</td>
<td>$536</td>
</tr>
<tr>
<td>2013</td>
<td>$1,312</td>
<td>$1,054</td>
<td>$602</td>
<td>$627</td>
<td>$544</td>
</tr>
<tr>
<td>2014</td>
<td>$1,305</td>
<td>$1,001</td>
<td>$627</td>
<td>$631</td>
<td>$558</td>
</tr>
<tr>
<td>2015</td>
<td>$1,289</td>
<td>$977</td>
<td>$643</td>
<td>$652</td>
<td>$572</td>
</tr>
<tr>
<td>2016</td>
<td>$1,297</td>
<td>$963</td>
<td>$622</td>
<td>$653</td>
<td>$591</td>
</tr>
</tbody>
</table>

### Values
- $508 - $558
- $500 - $4,500
Budget Overall Expenses for 2010 to 2016 (Adjusted for Inflation)

Rate Programs: 23.9%
Debt/CFC: 4.6%
Emergency Services: 5.8%
TTC: 13.7%
Other: 1.2%
Cost Shared: (13.8%)

2016 Expense ($ millions)
- Rate Programs: $1,684
- Debt/CFC: $722
- Emergency Services: $1,772
- TTC: $1,860
- Other: $2,972
- Cost Shared: $2,743
Budget Overall Revenues for 2010 to 2016 (Adjusted for Inflation)

2016 Expense $1,684 ($ millions)
- Rate Programs $1,684
- Upload $251
- MLTT $527
- TTC - Fare/Ridership $1,249
- User Fees, Licenses, Permits $609
- Property Tax Increase $3,931
- Assessment Growth N/A
- Government Transfers $1,865
- Other $1,639

167.2% 23.9% 17.7% 9.0% (4.8%) (4.9%) (18.2%) (19.1%)
Total Annual Capital Budget – 2010 to 2016
Summary of Unmet Capital Needs ($M)

### Major Unmet Capital Needs ($Million)

**Unmet Need Priorities (Tier 1 Projects, TCHC & Waterfront 2.0)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCHC Province/Federal Share of $2.6 billion requirement</td>
<td>1,728</td>
</tr>
<tr>
<td>TCHC Capital Maintenance</td>
<td>650</td>
</tr>
<tr>
<td>TCHC Revitalization Projects</td>
<td>356</td>
</tr>
<tr>
<td>Less Prov Grant on Energy Retro Fit</td>
<td>-29</td>
</tr>
<tr>
<td>SOGR Backlog to 2% of Asset Value (Exc.TCHC)</td>
<td>1,046</td>
</tr>
<tr>
<td>TTC Board Approved Unfunded</td>
<td>2,679</td>
</tr>
<tr>
<td>SSHA (George Street Revitalization)</td>
<td>480</td>
</tr>
<tr>
<td>Long Term Homes Care Services</td>
<td>246</td>
</tr>
<tr>
<td>Other City Priorities</td>
<td>1,318</td>
</tr>
<tr>
<td>Lower Don Flood Protection</td>
<td>975</td>
</tr>
<tr>
<td>Waterfront Land Servicing (EBF, WDL and Keating)</td>
<td>150</td>
</tr>
<tr>
<td>Waterfront Public Realm Initiatives</td>
<td>350</td>
</tr>
<tr>
<td>Less Waterfront DCS/Federal &amp; Provincial Funding</td>
<td>-1,125</td>
</tr>
<tr>
<td>Unfunded Projects from Environmental Assessments</td>
<td>2,000</td>
</tr>
</tbody>
</table>

**Tier 2 Unmet Need Priorities**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TTC Future Capital Needs</td>
<td>2,323</td>
</tr>
<tr>
<td>Other Programs</td>
<td>597</td>
</tr>
</tbody>
</table>

**Unfunded Transit Expansion Initiatives**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Unfunded Transit Expansion Initiatives (Preliminary - Pre-Design Estimates)</td>
<td>15,300</td>
</tr>
</tbody>
</table>

**Total of Unfunded Capital Projects ($Million)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount ($M)</th>
</tr>
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<tbody>
<tr>
<td>Total</td>
<td>29,043</td>
</tr>
</tbody>
</table>
Projected Incremental Base Expense Growth ($M) 2017 to 2021
Projected Incremental Debt Charge Growth for Unmet Capital Needs ($M) - 2017 to 2021
Projected Incremental Revenue Growth ($M) 2017 to 2021

- Assessment Growth
- Fed/Provincial Grants
- Rate Programs
- MLTT
- Other Revenue Changes

Projected Incremental Revenue Growth ($M) 2017 to 2021

- Assessment Growth
- Fed/Provincial Grants
- Rate Programs
- MLTT
- Other Revenue Changes
Incremental Revenue Growth – 2010 to 2016 (budgeted) and 2017 to 2021 (projected)
Projected Cumulative Net Pressures ($M) 2017 to 2021

- 2017: (483)
- 2018: (681)
- 2019: (773)
- 2020: (929)
- 2021: (1,022)
Expense and Revenue vs. Prior Six Year Average ($M)

Year | Expense Forecast | Revenue Forecast | Gross Exp Increase per Prior 6 Yr Avg
--- | --- | --- | ---
2017 | 622 | 140 | 
2018 | 459 | 261 | 
2019 | 308 | 216 | 
2020 | 373 | 217 | 
2021 | 312 | 219 | 

The chart shows the expense forecast and revenue forecast for each year, compared to the prior six-year average. The expense forecast shows an increase each year, while the revenue forecast remains relatively stable. The gross expense increase per prior six-year average also shows an upward trend.
**2017 Operating Pressures**

**Note:**
1. Additional TTC pressure includes revenue shortfall and base salary increase, but excludes Presto and service improvement cost increases.
2. Base pressure mainly includes base salary increases (excl. TTC and Police), base non-salary inflation increases, as well as other base expense and revenue changes (incl. user fee, MLTT, upload), etc.
3. Total 2017 operating pressure of $588m excludes service improvements, debt costs for unmet needs, and Police. Net pressure is $483m after Tax Rate Increase ($52m), Assessment Growth ($40m), and the City Building Fund estimates ($13.5m).
Potential Shortcuts to Balance the Budget

• Provincial or federal government funding for capital projects
• Continued gains from the Municipal Land Transfer Tax
• Drawn down reserve funds
• Manage down surpluses
• Lower “capital from current” financing.
Next Steps

- The report recommends that staff report back by the end of the year with approaches to strengthen financial planning, decision-making and oversight, including:
  - Strategies and processes to improve integration between program and financial planning
  - A multi-year expenditure management plan
  - A multi-year revenue strategy.
- Staff are scheduled to report back to Executive Committee on revenue options in June 2016.
Appendix
City Governance
City Council has direct control of 23% of the Budget

City Tax Levy
$3.9 Billion

- Direct City Control, 901.3, 23%
- Agencies (Indirect), 1,821.6, 46%
- Debt Charges, 463.4, 12%
- Provincially Funded (Cost Shared), 744.9, 19%
Budget Overall Expenses for 2010 to 2016

Budget Overall Expense Increase - 2010 to 2016

<table>
<thead>
<tr>
<th>Rate Programs</th>
<th>Debt/CFC</th>
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<th>TTC</th>
<th>Other</th>
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<td>$1,860</td>
<td>$2,972</td>
</tr>
</tbody>
</table>

- Unadjusted
- Real
- Real Per Capita

Overall Expenses:
- 2010: $1,684
- 2016: $2,743

Expense Increase:
- 2010 to 2016: 39.0%
- Unadjusted: 39.0%
- Real: 23.9%
- Real Per Capita: 16.3%
- Debt/CFC: 17.4%
- Emergency Services: 18.7%
- TTC: 27.6%
- Other: 13.6%
- Cost Shared: 1.2%

Note: The negative values indicate a decrease in expenses.
Budget Overall Revenues for 2010 to 2016

Budget Revenue Changes - 2010 to 2016

<table>
<thead>
<tr>
<th>Rate Programs</th>
<th>Upload</th>
<th>MLTT</th>
<th>TTC - Fare/Ridership</th>
<th>User Fees, Licenses, Permits</th>
<th>Property Tax Increase</th>
<th>Assessment Growth</th>
<th>Government Transfers</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unadjusted</td>
<td>Real</td>
<td>Real per Capita</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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2016 Expense ($ millions)

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- Property Tax Increase: $3,931
- Assessment Growth: N/A
- Government Transfers: $1,865
- Other: $1,639

% Changes:
- Upload: 39.0%
- MLTT: 199.8%
- TTC - Fare/Ridership: 167.2%
- User Fees, Licenses, Permits: 151.0%
- Property Tax Increase: 32.1%
- Assessment Growth: 17.7%
- Government Transfers: 6.8%
- Other: 6.7%

(50.0%)
Projected Incremental Net Pressures ($M) 2017 to 2021

2017: (483)
2018: (199)
2019: (92)
2020: (156)
2021: (93)
Reserves per Capita Comparison

### Reserves per capita (December 31, 2014)

- **Toronto City**: $1,281
- **Durham R.M.**: $3,028
- **York R.M.**: $3,119
- **Peel R.M.**: $2,482
- **Halton R.M.**: $2,757
- **Ottawa City**: $2,054
- **Hamilton City**: $1,316
- **Waterloo R.M.**: $1,146
- **London City**: $1,538
- **Windsor City**: $928

#### Average of the rest of the GTA
- **Average**: $2,806

#### Overall Average
- **Overall Average**: $1,868
Unfinanced Debt Capital from 2006 to 2015*

*Note: 2015 is a preliminary number and subject to change