



# **The City of Toronto's 2017 Budget: *Directions & Schedule***

# Purpose

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- 2017 Budget directions
- Preliminary savings targets
- Budget process

# Fiscal Framework

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- Long-Term Financial Direction report
  - Operating expenditures diverging from revenues
  - Capital gap
  - Agencies are primary cost drivers
- Reaching limits of “kick-the-can-down-the-road” strategies
- Need to establish financial discipline and move towards sustainability
- 2017 budget outcomes should be consistent with longer-term aspirations

# Council Confirmation:

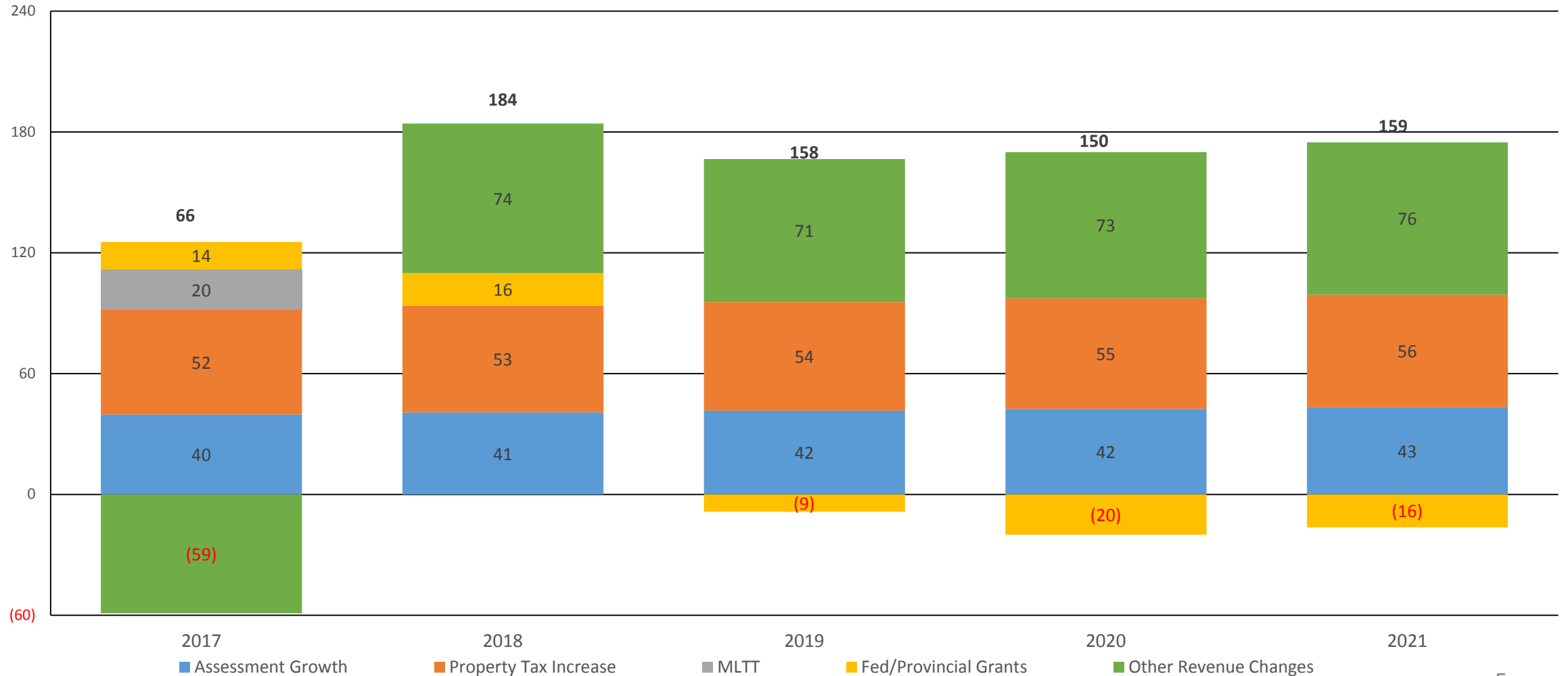
## Core Policy Direction to start process

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- Revenue forecast is the starting point
  - Future expense linked to revenue capacity
  - Residential property tax increase assumed at 2%
  - Adjusted for earlier one-time measures
  - Does not include asset sales, revenue tools or new transfers (prior to Council or other government decisions)
- Establishes limit for 2017 expense growth

# Projected Additional Revenue Growth (\$M)

## 2017 to 2021



# 2017 Revenue Starting Point

## (change over 2016 budget, early forecast)

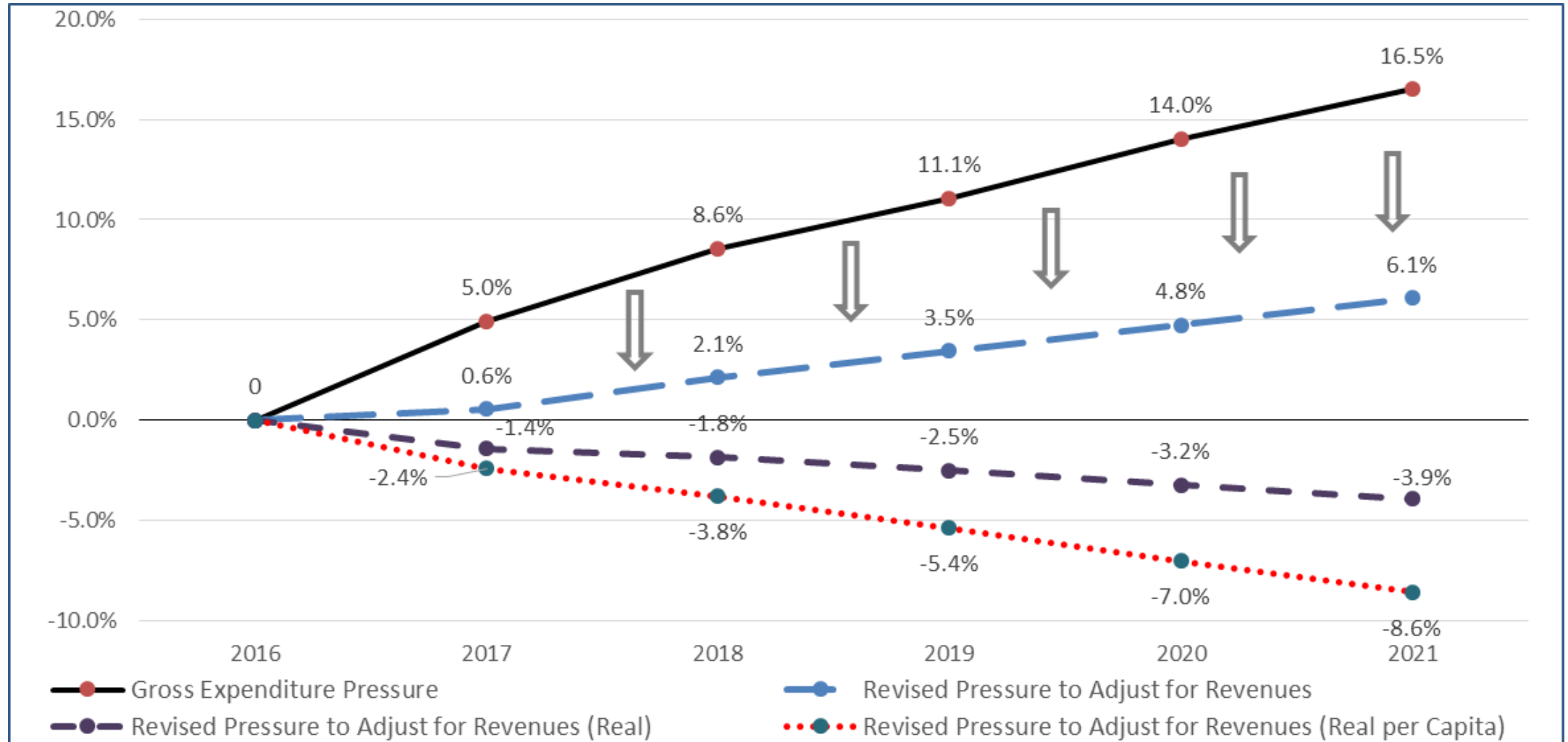
(\$M)	<u>Revenue</u>
One-Time Revenues to balance 2016 budget	(38)
MLTT	20
Change in Provincial /Federal Funding	(10)
OW Provincial Upload	24
Interest / Investment Earnings	(5)
Supplementary Taxes	(5)
Hydro Dividend	(10)
TPA Dividend	(5)
Other Corporate Revenues	(2)
All Other Program Revenue Changes	5
TTC Fare	(12)
Other User Fee	12
<b>Revenue Changes before Tax Impact</b>	<b>(25)</b>
Assessment Growth	40
Tax Rate Increase @ 2% Residential	52
<b>2017 Total Revenue Changes</b>	<b>66</b>

# Limited Fiscal Room

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- \$66 million in revenue
- Supports 0.6% gross expense increase for 2017
- Or 1.66% net expense increase

# Operating Expense Matched to Revenue – Looking Forward





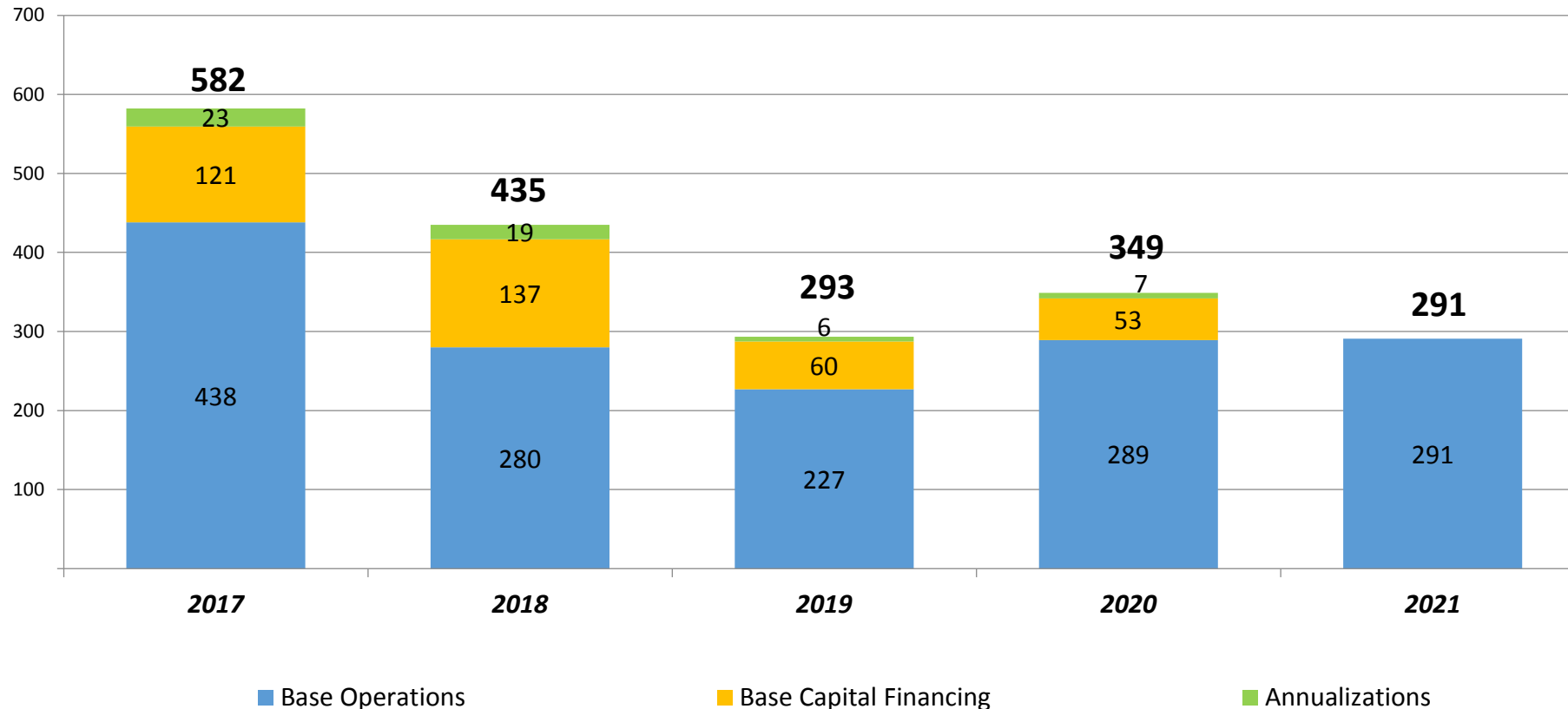
# Target Allocation to Reach Goal

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- 1) City and agencies to absorb program costs and pressures
- 2) Offset some non-program cost growth
- 3) Addressing these fixed costs requires an operating budget reduction target for all programs, agencies and accountability offices
- 4) Status quo capital allocations – residual capital gap persists

# Program Pressures to Absorb

- Based on costs to maintain existing service level (Excl. Unfunded Capital projects and new or enhanced services)



# 2017 Operating Budget Pressure Summary

(\$M)	<u>Expense</u>	<u>Revenue</u>	<u>Total</u>
<b>2017 Expense Pressure resulting from prior year decisions</b>	<b>125</b>	<b>38</b>	<b>163</b>
<b>2017 Total Revenue Changes</b>		<b>(104)</b>	<b>(104)</b>
<b><u>2017 Incremental Expense Pressure:</u></b>			
Base compensation and benefits	56		
Non-salary inflation	23		
TTC - base (excl. Presto & prior year impact)	136 *		
Police - Total	19		
TCHC - Total	96		
CFC base	31		
Debt charges on current capital budget & plan	46		
Tax Deficiencies/Write-offs (net)	30		
Other Program/Non-Program Expenditures	20		
<b>2017 Incremental Expense Pressure Total</b>	<b>457</b>	<b>-</b>	<b>457</b>
<b>Total 2017 Tax Supported Operating Pressure</b>	<b>582</b>	<b>(66)</b>	<b>516</b>

\*Total TTC pressure, including prior year decision impacts and revenue loss, is a total of \$189 Million

# Addressing Non-Program Expense Pressure

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- \$102 million of Non-Program expense pressure
- Debt & capital charges, tax and employee benefit liabilities, pooling compensation loss
- Translates to -2.6% from agencies and City programs

# How City Divisions will Approach Targets

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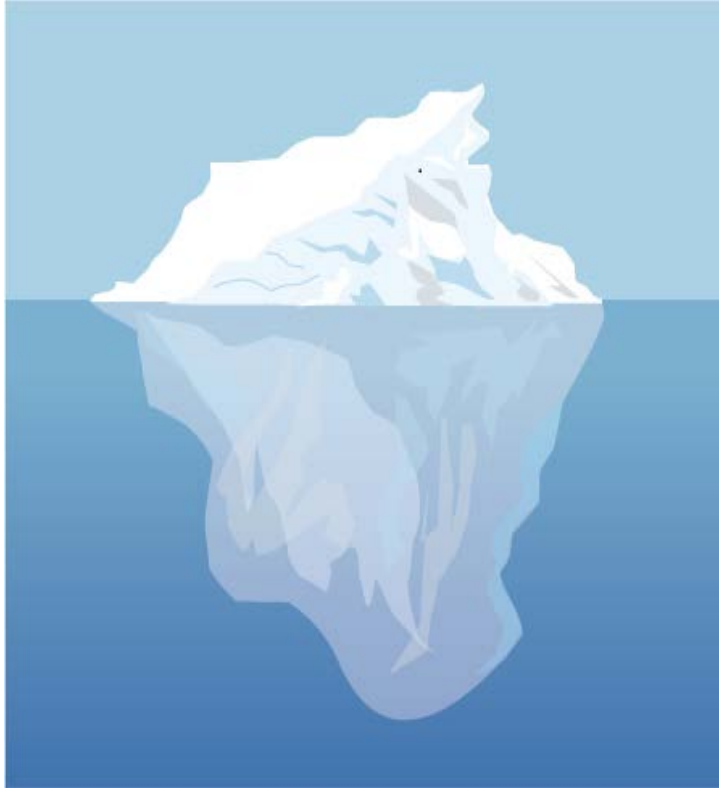
- Focus on non-core expense / back office
- Consolidation and integration strategies
- Alternative service delivery
  - Business-case supported
  - Consistent with ancillary Council policies – fair wage
- Support core policy outcomes
- Program-related revenues
- Adjust service levels
  - This means changes to service delivery and service levels

# 2017 – 2025 Capital Budget and Plan Directions

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- The 2017 – 2026 Capital Budget and Plan submission to be prepared on a status quo basis:
  - This requires that capital plan submissions adhere to the 2017 – 2025 Capital Plan approved by Council as part of the 2016 Budget process, and
  - Projects be added in the new tenth year, 2026, that can be accommodated within current debt targets.
  - Estimate and timing of unfunded list to be refined and prioritized

# Summary of Unmet Capital Needs (\$M)



<b>Major Unmet Capital Needs (\$Million) - 15 Years</b>	
<b>Unmet Need Priorities</b>	
TCHC Province/Federal Share of \$2.6 billion requirement	1,728
TCHC Capital Maintenance	650
TCHC Revitalization Projects	356
<i>Less Prov Grant on Energy Retro Fit</i>	-29
SOGR Backlog to 2% of Asset Value (Exc.TCHC)	1,046
TTC Board Approved Unfunded	2,679
SSHA (George Street Revitalization)	480
Long Term Homes Care Services	246
Other City Priorities	1,318
Lower Don Flood Protection	975
Waterfront Land Servicing (EBF, WDL and Keating)	150
Waterfront Public Realm Initiatives	350
<i>Less Waterfront DCS/Federal &amp; Provincial Funding</i>	-1,125
Unfunded Projects from Environmental Assessments	2,000
<b>Tier 2 Unmet Need Priorities</b>	
TTC Future Capital Needs	2,323
Other Programs	597
<b>Unfunded Transit Expansion Initiatives</b>	
All Unfunded Transit Expansion Initiatives <i>(Preliminary - Pre-Design Estimates)</i>	15,300
<b>Total of Unfunded Capital Projects (\$Million)</b>	<b>29,043</b>

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# Budget Schedule



# 2017 Budget Schedule

Activity	Parking Authority, Toronto Water, Solid Waste Management	Capital Budget - City Divisions & ABCs	Operating Budget - City Divisions & ABCs
Budget Submission <i>Operating - Base Budget Only</i>	June 20, 2016	June 20, 2016	June 20, 2016
Budget Submission <i>Operating - Reduction Options and New Requests</i>	August 2, 2016	August 2, 2016	August 2, 2016
BC Members Informal Reviews	September 15 - September 30,	September 15 - October 18, 2016	
Budget Launch - <b>Budget Committee</b>	November 4, 2016	December 2, 2016	
Budget Briefings - Budget Committee	November 18, 2016 <i>(Regular BC Meeting)</i>	December 16, 19, 20 & 21, 2016	
Public Presentations - Budget Committee	November 18, 2016 <i>(Regular BC Meeting)</i>	January 4, 5 & 9, 2017	
Budget Committee Wrap-Up	N/A	January 12, 2017	
Budget Committee Final Wrap-Up	November 28, 2016 <b>(Afternoon)</b>	January 24, 2017	
Special Executive Committee	December 1, 2016 <b>(Regular Meeting)</b>	February 7, 2017	
Special Council	December 13 & 14, 2016 <b>(Regular Meeting)</b>	February 15 & 16, 2017	

## For Council's Consideration and Approval:

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- The 2017 budget process schedule
- Operating reduction target
- Capital budget guidelines



**Thank You**