

## City of Toronto Long-Term Financial Direction Update

**Date:** November 23, 2016

**To:** Executive Committee

**From:** City Manager; Deputy City Manager & Chief Financial Officer; Deputy City Manager Cluster A; Deputy City Manager Cluster B

**Wards:** All

### SUMMARY

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This report provides an update on the City's Long-Term Financial Plan, as directed by Council in June 2016 (EX15.1). The Plan is currently under development and will provide scenarios for a sustainable financial framework for municipal services and city-building investments, involving both expense and revenue measures.

Long-term expense and revenue considerations should be integral to the annual budget process. Therefore this update report is being brought forward to inform current Council deliberations around the City's rate- and tax-supported budgets as follows:

- 2017 rate-supported operating and capital budgets (launched at the November 4, 2016 meeting of Budget Committee, finalized at the December 13, 2016 meeting of Council)
- 2017 tax-supported operating and capital budgets and 2018 outlook (launched at the December 6, 2016 meeting of Budget Committee, finalized at the February 15, 2017 meeting of Council).

In addition, two closely aligned staff reports are being brought forward to the Executive Committee on December 1, as requested by Council:

- Asset Optimization Review – Toronto Hydro Corporation and Toronto Parking Authority
- The City of Toronto's Immediate and Longer-Term Revenue Strategy Direction.

Each of the above reports will be presented on a standalone basis reviewed by Council and Committee as a separate items. In practice, however, issues and potential policy responses overlap – including decisions in response to these interrelated challenges.

The absence of integrated financial planning – across budgets, program areas and annual cycles – is a longstanding challenge for City governance and Council decision

making. It has contributed to the emergence of significant gaps between Council's current fiscal framework and long-term aspirations.

This report presents a brief summary of the key financial challenges facing the City in order to provide a basis for integrated decision making in 2017 and beyond.

The primary fiscal challenges that must be addressed include:

- 2017 preliminary operating budget pressures and resolution of a balanced budget
- 2017-2026 preliminary capital plan and pressures
- Continued unfunded capital projects
- Improving performance of City assets
- Long-term expense management, particularly with regard to City agencies
- Long-term revenue management

The report also provides a summary of key initiatives advanced in support of the Long-Term Financial Plan over the past six months. This work includes various corporate and program-level initiatives, including a Council-directed public engagement process. This consultation was launched in early November and will be completed by 2017 Q2.

Council consideration of a consolidated set of expense and revenue options under the Long-Term Financial Plan is expected in 2017 Q2, well in advance of 2018 budget decisions.

## **RECOMMENDATIONS**

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The City Manager, Deputy City Manager & Chief Financial Officer, Deputy City Manager Cluster A, and Deputy City Manager Cluster B recommend that:

1. City Council receive this report for information.

## **FINANCIAL IMPACT**

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There are no direct recommendations or decisions contained in this report that will have an immediate financial impact. However, the information contained in this report and subsequent additional actions are intended to improve the long-term financial sustainability of the City. It is expected that full implementation of the Long-Term Financial Plan will ultimately require a shift in how the City approaches its annual budget and long-term service plans.

The decision-making criteria underlying this and the related financial reports emphasizes:

- Financial and policy risk minimization, reflecting the need for annual balanced budgets

- Consistency between short-term decision making and long-term aspirations
- Best estimations available given the considerable uncertainties associated with economic factors, Ontario and federal policies and behavioural reaction to expense and possible revenue changes
- Maintaining or enhancing the fiscal resilience of the City of Toronto and its agencies in order to support sustainable public services.

## **DECISION HISTORY**

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At its meeting on June 7, 8, and 9, 2016, City Council adopted recommendations related to the report, "The City of Toronto's Long-Term Financial Direction" including a request to report back to Executive Committee in the fall of 2016 on multi-year financial and budget process, strengthening the City's strategic decision-making and financial oversight, a multi-year expenditure management plan, a multi-year revenue strategy, and an asset optimization study.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX15.1>

At its meeting on July 12, 13, 14, and 15, 2016, City Council adopted recommendations related to the report, "The City of Toronto Long-Term Financial Direction – Consultation Plan," including a request to consult the public on the City's long-term financial direction and to engage a third-party to assist in developing broad messaging and methodology.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.2>

At its meeting on July 12, 13, 14, and 15, 2016, City Council adopted recommendations related to the report, "2017 Budget Process - Budget Directions and Schedule," including budget reduction targets and strategies to achieve a balanced budget for 2017.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.37>

## **COMMENTS**

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### **Context**

The City is a complex organization serving a dense and diverse metropolitan area. It funds and delivers a wide range of programs and services that extend beyond the mandate of smaller municipalities. These services are fundamental to Toronto's unique economic vitality, quality of life and social cohesion. They also entail pressures and challenges unique to a city of Toronto's size and complexity.

According to standard benchmarks, Toronto shows exceptional performance as a city and region in terms of economic and population growth, success in integrating newcomers and sustained increases in building and development. Toronto has an enviable international reputation, confirmed by independent rankings, which consistently place it at or near the top of global cities in terms of quality of life and investment potential.

At the same time, the City faces unique challenges associated with both accommodating growth and creating broadly shared economic and social opportunities for residents. Of notable concern are the substantial costs and impacts of traffic congestion and poverty. This is driven by historic under-investment in transit and other infrastructure. And, far too many individuals and families in Toronto struggle with issues of exclusion and disadvantage.

Toronto experiences disproportionate levels of poverty and related social challenges relative to most other Canadian cities. These social challenges have profound implications for the province and nation as a whole, with social exclusion leading to poverty and real economic loss at the heart of the primary economic growth centre.

City Council has made important steps towards addressing these challenges, including new commitments to transit network enhancements and a Poverty Reduction Strategy. However, in many respects these pressures originate well beyond the responsibilities and authorities of municipal government. Growth pressures reflect Toronto's global and regional attractiveness. Toronto's success provides broad regional and national opportunities, including significant revenue for the federal and provincial governments.

Ultimately, a stable fiscal path for the City – which supports necessary economic and social investments – may not be fully achievable on the basis of the existing fiscal and governance arrangements. In the interim, it is vital that City Council continue to make progress and address core fiscal challenges while maintaining or increasing the vital investments in the city's economic and social infrastructure.

## **Major Interrelated Fiscal Challenges**

It is necessary to be clear about Toronto's fiscal challenges, and the overlaps between them.

Short-term operating and capital budget pressures represent an immediate challenge and will be addressed through a predictable and structured decision-making process. It is essential that the budget decisions made in 2017 and 2018 are consistent with and supportive of the City's long-term financial objectives.

Longer term challenges such as unfunded capital projects and future expense and revenue pressures will require resolution through a range of channels, including the annual budget process as well multi-year financial planning, governance reform and a range of policy and/or administrative initiatives to come forward with the Long-Term Financial Plan.

All of these pressures are manageable. Some preliminary considerations to support integrated decision-making in both the short and longer term are described below.

### **1. Balancing the 2017 and 2018 Operating Budgets**

The initial major fiscal challenge to be addressed by Council will be balancing the 2017 budget. The rate-supported budget was launched on November 4 and the tax-supported budget launches on December 6, 2016.

Budget decisions that Council approves in 2017 will carry forward and directly impact revenue and expense capacity in 2018 and beyond. To the extent possible, strategies to balance the budget should have limited impact on future budgets and/or a clearly defined approach for addressing any such impact.

In July, Council provided direction to City divisions and agencies. Given the significant anticipated pressures and the known impact of prior deferrals, Council mandated that all divisions and agencies bring forward budget proposals at 2.6 per cent lower than 2016 base budget levels. Council also allowed divisions and agencies to propose service level changes, as required.

Agencies and divisions have now largely completed this process. Exact numbers are not yet available, given the challenges of reconciliation of agency data, combined with the timing of agency decisions. While specific details will be provided with the launch of the preliminary budget on December 6, it is clear that there are significant residual pressures that will have to be resolved through the budget process. The budget gap is prior to consideration of incremental investments.

This preliminary budget gap persists despite:

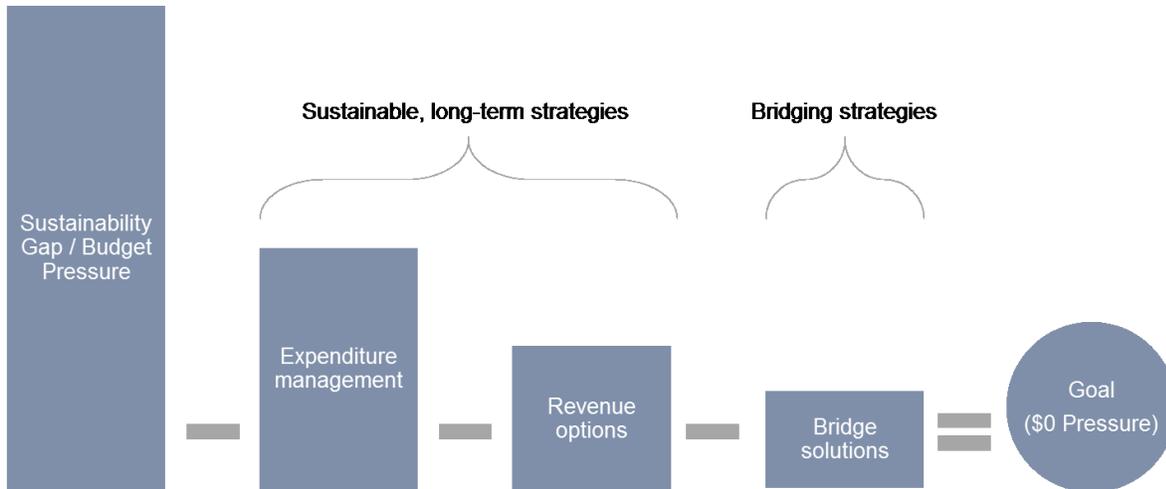
- Substantial savings, including and labour costs, associated with progress towards the 2.6 per cent net reduction objective, particularly by City divisions
- Unprecedented gains in Municipal Land Transfer Tax (MLTT) beyond the already aggressive forecast.

The primary drivers of the residual gap are largely consistent with prior experience, including:

- Agency pressures and service levels
- Prior year deferrals, both with respect to agencies and capital funding
- Challenges in recommending or proposing service levels below those mandated by Council and/or agency boards.

Council will be provided with a range of options to close the residual gap, including expenditure management options (e.g., service reductions), revenue options and/or bridging solutions as shown in Figure 1.

Figure 1: Operating Budget Equation



It is important to acknowledge that Council has not recently been willing to sustain significant reductions in services or consider above-inflation increases to the residential property tax rate.

It is likely that Council will require additional revenue measures to achieve a balanced budget plan. Given the restrictions in the City of Toronto Act, 2006 and the challenges associated with implementing and administering new revenues within a compressed timeframe, there are only a small range of revenue measures that could plausibly yield significant revenue in 2017.

Council may adopt short-term or bridging measures, as has traditionally been done in tight budget situations. Future year impacts of these measures should be fully understood and direction should be provided to City staff and agency boards to bring forward viable options to reverse the measures or sustainably absorb the pressures. This will be important to avoiding challenging budget scenarios in 2018.

## 2. Funding the 2017-2026 Capital Budget and Plan

City Council continues to advance work on vital infrastructure projects to address historic deficits in capital investment and address future growth-related needs.

Staff are working to incorporate four incremental areas of major expense in the 10-year budget and plan: TTC capital enhancements, SmartTrack, Port Lands Flood Protection and the Gardiner Expressway Rehabilitation Project. In the case of the Gardiner Rehabilitation Project, new pressures have been identified and will be addressed through the budget process. These will be discussed at Executive Committee on December 1, 2016 as part of the report, "Updated Procurement Strategy for Implementation of the F.G. Gardiner Expressway Revised Strategic Rehabilitation Plan."

Staff are currently working on models to support funding and continue to make progress on all of these projects. Additional revenue measures and/or some relaxation of the current debt service limit may be required to maintain all elements of the capital plan.

### **3. Funding the Long-Term Capital Overhang**

Council has identified priorities and/or advanced planning for approximately \$33 billion in major capital projects that are not yet funded through the capital budget. It is critically important to note that this estimate is based on a number of conditional assumptions (e.g., early stage design cost estimates, prior to any federal or provincial contributions) and is subject to refinement. At the same time, it remains clear that the gap continues to widen as the City does not yet have the fiscal capacity to fully achieve its ambitious city-building agenda. The property tax base alone cannot be expected to fund the \$33 billion capital overhang.

The 2017 budget process instructions provided by Council did not request that City divisions or agencies develop options to address this longer-term capital overhang. However, the revenue strategy presented in the companion revenue report, "The City of Toronto's Immediate and Longer-Term Revenue Strategy Direction," outlines potential measures to support longer-term capital financing needs. Among the most promising of these options is tolling on urban expressways. Any capital revenue measures should be dedicated and not redirected from or otherwise come at the expense of operating needs.

One of the underlying challenges in planning for and estimating the full municipal cost associated with major capital projects is the uncertainty related to critical provincial and federal funding commitments. While welcomed, these commitments have typically been episodic and subject to complex and changing requirements around municipal contributions, timing, and project eligibility.

Recent commitments by the Province and federal government for a renewed approach to infrastructure investment represents an encouraging step forward. Proposals like the Federal Infrastructure Bank have the potential to benefit Toronto by providing access to incremental financing capacity on the basis of commercial criteria.

### **4. Asset Optimization**

As requested by Council, staff have undertaken an asset optimization study in relation to the City's investments in Toronto Hydro Corporation and Toronto Parking Authority. Decisions related to a retaining or selling these assets – either in full or in part – will have a direct impact on the short- and long-term finances of the City.

Quantitative and qualitative analysis, including net-present-value calculations, contained in the companion asset report, "Asset Optimization Review - Toronto Hydro Corporation and Toronto Parking Authority," do not support the immediate monetization of either asset.

Council may wish to consider potential governance changes to strengthen stewardship of these assets and maximize long-term benefit.

## **5. Long-Term Expense Management**

The 2017 budget process is a crucial first step in addressing major expense pressures faced by the City. Any residual or incremental pressures that are not addressed through the budget process will be considered through the Long-Term Financial Plan.

Financial constraint is part of any government's tool-kit and is a precondition for meaningful discussion regarding new revenue options. The City will maintain a focus on driving efficiencies to achieve annual savings and ensure that residents and businesses receive the best value for their money.

Expense management strategies implemented by City divisions will need to address:

- Incremental investment in digital infrastructure and management of associated labour and service transition costs
- Cumulative impact of prior savings, including lower City spending when adjusted for inflation and population growth
- Prior deferrals and operating impacts of capital investments.

Challenges related to agency governance are a primary contributing factor to the City's long-term financial pressures. Historically the relationship with agencies has not been conducive to reliable budget forecasting and/or establishing credible budget targets and instructions.

As with prior years, the City faces significant fiscal pressures related to the budgets for Toronto Community Housing Corporation (TCHC) and the Toronto Transit Commission (TTC) in particular. The long-term financial stability of TCHC and TTC will depend on:

- Resolution of key TCHC capital requirements
- Future Council decisions with respect to TCHC operating needs and Putting Tenants First policy options
- TTC proposed savings opportunities, as well the impact and timing of incremental operating costs associated with Presto implementation, new light rail operations and subway extension and the impact of future fare integration
- Growth in Wheel Trans ridership demand.

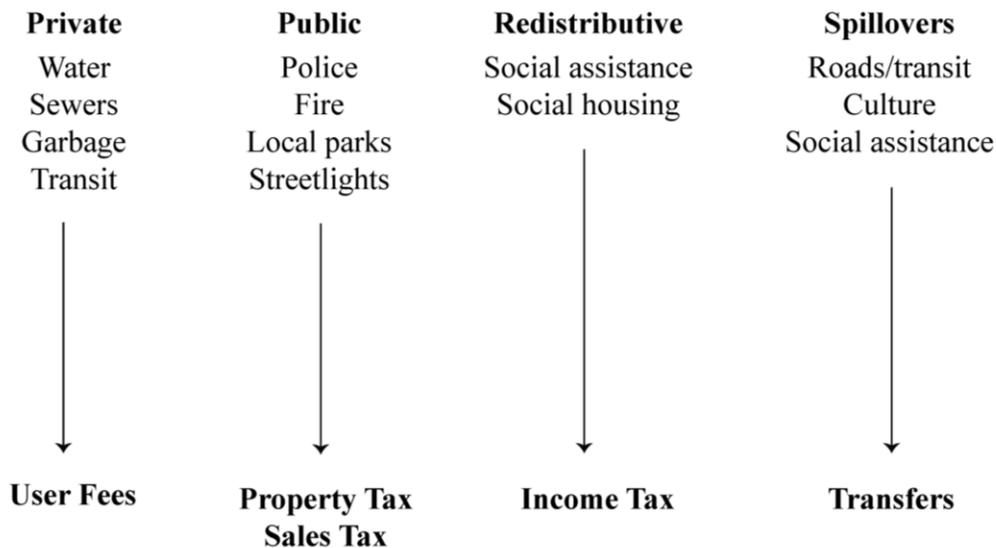
In the case of the Toronto Police Service, various tangible steps are being taken to establish more sustainable financial footing. Through the work of the Transformational Task Force and internal initiatives, the TPS has defined a transformation strategy and outlined a clear future fiscal direction. This work will serve as an input into future financial modelling and should address prior areas of pressure.

## **6. Long-Term Revenue Management**

Although expense constraint must be fundamental to the City's overall fiscal policy, it is equally important to recognize the challenges in the City's status quo revenue model. The companion revenue report, "The City of Toronto's Immediate and Longer-Term Revenue Strategy Direction," provides detailed consideration of a range of new and existing revenue options. A summary of high-level strategic considerations for the City's

primary sources of revenue is described below. This analysis is largely informed by important work by the Institute of Municipal Finance and Governance at the University of Toronto to analyze and describe the appropriate application of funding tools at the municipal level (Figure 2).

*Figure 2: Different Funding Tools For Different Services. Source: IMFG, 2016*



In Ontario, municipal own-source revenues are based primarily on property taxation. Property taxes have important advantages including ease of administration, limited potential for avoidance, mitigation of adverse impacts, and transparency.

The highly visible and politically challenging nature of property taxes has constrained successive Councils from pursuing above-inflation increases to the rate. (This is not a challenge unique to municipalities as Ontario has similarly lowered the real value of the property tax as share of total education funding.)

While challenging, making effective use of the City's property tax capacity should be considered as a part of a robust and sustainable long-term funding model. In particular, property taxes should support increasing costs associated with basic, locally-focused services with broad public benefits, such as emergency services, parks and recreational facilities, local roadways and public realm investments.

The visibility of property tax has made it less effective as a revenue option for municipal services with benefits that extend well beyond municipal boundaries (e.g., expressways and high-order transit services) or which benefit general social welfare and redistribution (e.g., social services and social housing). These services may be better supported through intergovernmental transfers and progressive revenue sources, such as income tax.

The Municipal Land Transfer Tax has acted as an implicit increase to property-related taxes, targeting a much narrower subset of property owners.

This is an important observation for Toronto's long-term fiscal context. Among the primary fiscal challenges facing the City are the significant incremental investments required to support transit (TTC) and social housing (TCHC). These pressures are primarily attributable to historic decisions to shift responsibility from federal and provincial tax bases – predominately funded through progressive sources – to the municipal tax base. The national and provincial interest in those vital service areas has not disappeared. Transit and affordable housing remain essential to the health and economic competitiveness of Canada and Ontario as a whole. As such, the City should continue to call on the both levels of government to establish a new fiscal arrangement to support sustainable, ongoing funding for these service areas.

User fees are a fundamental and appropriate tool for funding municipal services where use is measurable and there is a clear beneficiary. With respect to water, waste water and solid waste infrastructure, the City has shifted funding to a fully cost-recovered, rate-supported funding model. Consistent and occasionally significant increases to utility rates have helped to address the historic under-investment in these critical infrastructure systems. Toronto has also relied on user fees (i.e., TTC fares) to support transit investment and operations to a greater extent than any comparable jurisdiction in North America. Additionally, through the companion revenue report, Council has the opportunity to consider shifting a share of funding for major transportation investments to a new, closely-associated user fee: expressway tolling.

City Council may also consider substantial new revenue options for which there is a solid policy rationale based on equity, reliability and efficiency. The City of Toronto Act provides the City with limited flexibility to administer new revenue options. However, as described in the companion revenue report, many funding options are constrained by factors including administrative complexity and/or costs, the need for additional provincial permissions and/or fairness. A thorough cost-benefit analysis indicates that while a limited number of potential new revenue options have potential and should be considered by Council, others provide very limited benefit to the City's bottom line and/or cannot be meaningful implemented within the next few years.

Council has requested staff to consider a range of revenue options. However, owing to both political and practical considerations, Council has not been able to substantially implement the full range of options available to it. As such, the City must emphasize the use of existing options within the short-run.

## **Long-Term Financial Plan**

City Council has directed the development of a Long-Term Financial Plan to address long-term expense and revenue management considerations described in this and earlier reports. The modelling of City and agency services and revenue sources is relatively time consuming and complex. This work will continue in conjunction with Council deliberations and decisions for the 2017 budget process. Given the limited staff capacity and reality of continued challenges in managing the short-term, staff may seek modelling capacity from external academic or consulting expertise.

Specific options and recommendations will be brought forward to Council in 2017 Q2, well in advance of the launch of the 2018 budget process.

In simple terms, the Long-Term Financial Plan is intended to address the mismatch between the investment requirements of a vital, growing and challenged city and the policy context and toolkit of the City Council. The long-term plan will explore scenarios with respect to:

- Increased efficiency and lower service costs, realized through investment in technology and, potentially, downward pressure on overall compensation costs
- Reduction in service levels, at least relative to population growth
- Significant new revenue measures, increasing on an annual basis
- New revenue sharing arrangements with the Province and potentially the federal government, respecting Toronto's unique role and requirements
- Greater emphasis on increases to property tax rates.

## **Status Update**

### **1. Public Consultations**

The City of Toronto is in the midst of conducting a public consultation on the development of the Long-Term Financial Plan, as directed by City Council (EX16.1). The City needs to have a realistic and direct conversation with the public about managing expenses, raising revenues, and making the most of its assets in order to build the City residents and businesses want. The findings from the consultation will gather input and advice for Council and the City Manager as the City renews the Long-Term Financial Plan.

Two phases of public meetings and surveys are taking place, one this fall and another in early 2017. An initial online survey on the City's current financial state and guiding principles for financial sustainability was completed in late November. The City's consultants are finalizing a report on the November survey results. It will be forwarded as supplementary material. All data will be posted to the City's Open Data webpage. More information can be found at [www.InvestingInTO.ca](http://www.InvestingInTO.ca).

In December, a series of public meetings and another survey will gather public input on long-term financial options and strategies related to expenditures, revenues, and assets. Consultation toolkits will be available to download for groups and organizations who wish to conduct their own meetings. A report will be released in January 2017 analyzing and summarizing this public input.

In the winter of 2017, the second phase of the consultation will ask Torontonians for their input on financial management and governance required for long-term financial sustainability. A final report, expected in April 2017, will analyze and summarize the entire consultation process.

### **2. Business Transformation & Service Modernization Initiatives**

To improve service delivery and manage expenditures the City has been implementing a number of high-priority, high-impact business transformation and modernization initiatives. These initiatives streamline processes, improve productivity, and embed efficiencies in order to maximize value for residents and businesses. The City of

Toronto is relentlessly pursuing lower costs and more efficient service delivery through an overarching strategy and a variety of distinct projects. As an organization, the City is heading in the right direction.

### *Chief Transformation Officer*

A new executive level position and unit will drive transformation and efficiencies across the City. The Chief Transformation Officer will report directly to the City Manager and will be responsible for achieving tangible project and program outcomes and savings. The mandate of the Office of the Chief Transformation Officer will be to drive and support: (1) select, high-priority, high-impact, corporate-wide business transformation initiatives that will substantially improve the efficiency and effectiveness of the City of Toronto; (2) continuous improvement and program reviews; and (3) other expenditure control programs/projects directly identified under the City's Long-Term Financial Plan.

### *Excellence Toronto*

The Toronto Public Service has launched a corporate-wide initiative called Excellence Toronto to support the delivery of high-quality and affordable services, continue to build a culture of organizational excellence, and guide continuous improvement efforts. The initiative applies a common set of management drivers to all City divisions and follows a nationally recognized certification program offered by Excellence Canada.

### *City-Wide Real Estate Review*

The City's and its agencies' and corporations' real estate operations are being aligned through the creation of a new centralized real estate entity. It will consolidate all core real estate and facilities management operations and functions. This will strengthen the City's ability to make strategic and informed real estate decisions, maximize the value of the City's land and property assets, create more mixed-use developments, streamline work and approval processes, integrate modernized approaches to space planning, and provide better solutions through proactive engagement with all stakeholders.

### *Office Modernization Program*

The Office Modernization Program is a key initiative to optimize the City's real estate portfolio. The program's goal is to modernize and make more efficient use of City office space. It aims to reduce the City's real estate footprint, avoid future leases, and reduce energy consumption resulting in permanent cost savings of 10 to 15 percent. It is also a tool for business transformation and organizational excellence. New workspace environments will improve communication, collaboration and innovation, as well as modernize technology to improve productivity and employee satisfaction.

### *Customer Service Strategy*

The City has embarked on a new Customer Service Strategy to drive transformation across the organization, increase operational effectiveness, reduce costs, and meet customers' expectations. The strategy aims to modernize services by migrating in-

person services to digital channels, optimizing traditional channels (such as, in-person and over-the-phone), and expanding accessibility and customer choice.

### *Enterprise-Wide Risk Management*

The City is creating an enterprise-wide risk management policy and framework. It will be an integrated approach to managing risk across the City. The policy and framework will enable management and staff to better understand the nature of risk and manage it more systematically. Appropriate resources, tools, and job aids will be available to divisions, agencies, and corporations to support a common and consistent understanding of risk management processes and policies.

### *Agency Review*

A whole-of-government approach to managing the City's finances will be required to ensure the financial sustainability of Toronto. Integrating infrastructure development, program planning, and service delivery across City divisions and agencies within an enhanced budget process, will help achieve the strategic allocation of resources to meet City Council's strategic objectives and strengthen financial management and oversight. The City Manager is initiating a review of the provisions in place for its agencies and corporations with a view to updating, strengthening and consolidating requirements, including operating and capital budget requirements, in time for the 2018 budget process.

### *Contracting Out and Alternative Service Delivery*

The City continues to explore opportunities to deliver services through external contractors. Under the right circumstances, contracting out and alternative service delivery can create service efficiencies and further savings. It is an opportunity to reduce expenditures, concentrate on core municipal roles and responsibilities, and improve the cost-effectiveness of programs.

In considering whether it would be more efficient to contract out services, it is necessary to consider the application of collective agreement provisions, as well as provincial legislation. Assessment of any potential external contractual arrangement must balance potential savings, potential impacts on current and future labour. City policies regarding precarious work and living wages, the robustness of the competitive market and potential exposure, and the ability to effectively monitor and ensure appropriate quality and outcomes.

### *Open Data and Open Government*

The City of Toronto continues to lead the way in opening up municipal government by embracing principles of accountability, transparency, accessibility and participation in City government. Open Data is a strategic pillar in the delivery of open government and drives innovation and new opportunities both for the delivery of City services and the residents and businesses the City services. An Open Data Strategic Plan is being developed in 2017. It will focus on key priority actions to improve and drive the effectiveness and value of open data for the City of Toronto. This item is being

considered by Executive Committee on December 1, 2016 through the report, "Progress Report on Open Data Strategic Plan."

### *Shared Services Project*

The Shared Services Project aims to consolidate administrative services to reduce duplication and allow business units to focus on delivering their core services. Since 2014, it is estimated that the project has resulted in cumulative efficiencies of approximately \$37 million. In addition, there have been many non-quantifiable benefits achieved including a substantial culture shift towards increased collaboration across City divisions, Agencies and Corporations.

### *Procurement Transformation*

The ongoing Supply Chain Management Transformation project aims to transform the existing procurement process to improve overall performance, optimize total cost of ownership, reduce risk, support innovation, and meet stakeholder needs. To achieve these objectives an end-to-end review of the procurement process will be performed and leading practices will be implemented, such as: reengineering and optimization of processes; implementation of new technology to automate and integrate the entire process from procurement to payment; enhanced performance reporting; and new practices to improve contractor and vendor management.

Supply Chain Management Transformation project is an enabler of category management and strategic sourcing – a process of managing key spending categories of goods and services as well as securing vendors strategically across the organization to lower costs. This is a collaborative and iterative approach that will provide more value-added service to the City. A report titled, "Purchasing and Materials Management Review: Strategy for Category Management and Strategic Sourcing," was adopted by Government Management Committee on November 14, 2016.

### *Time and Attendance Transformation*

The City is in the process of implementing a fully integrated, streamlined, and automated software solution for end-to-end scheduling, time and attendance management to replace manual processes. It will reduce time and cost spent on attendance and scheduling. It will also improve capabilities to capture, report, and time, as well as build, assign, and manage staff scheduling.

### *Contract Management*

Staff are improving the management of construction contracts with external vendors. This includes improved cost estimation, bid analysis, performance management, contract management, and ensuring best practices are followed.

### *Toronto Police Service Transformational Task Force*

In June 2016, the Toronto Police Service Transformational Task Force released its interim report which suggests savings to the Toronto Police Services operating budget

of \$100 million over three years (2017-2019) through a moratorium on hiring and promotion, alternative and shared service delivery and unidentified sources. It also suggested up to \$72 million in City assets currently used by Toronto Police Services could be returned to the City.

## **Next Steps**

Reaching financial sustainability is a challenge. To achieve it will require difficult and painful decisions. The City is past the point where it can defer solving its structural financial challenge. Being unable to reasonably 'kick the can down the road' means that we must begin to address it now.

A final Long-Term Financial Plan will be presented to Committee and Council in 2017 Q2. It will present options and create a roadmap to achieve long-term financial sustainability through multi-year expenditure and revenue strategies. It will support the City's ability to fund its city-building and policy aspirations. Changes will be required to the City's annual budgeting process to achieve integrated, multi-year business and financial planning and strengthen the City's strategic decision-making and financial oversight.

Key pieces of outstanding work to finalize the Long-Term Financial Plan include: detailed financial analysis and modelling; the ongoing public consultations; multi-year integrated budgeting processes; strengthening strategic decision-making and financial oversight; multi-year expenditure management strategies; and multi-year revenue strategies. This work will continue through the winter of 2017.

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## **SIGNATURE**

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