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2018 OPERATING BUDGET BRIEFING NOTE

TransformTO 2018 Operating Budget Request

Background:

1.0 Purpose

The purpose of this Briefing Note is to:

- summarize previous Council approvals and directions regarding TransformTO strategies and budget requests.
- provide, as requested by City Council, the outcomes of the priority scoring of the TransformTO Short Term Strategies.
- provide a consolidated summary of the 2018 Operating Budget request in support of implementation of the TransformTO Short Term Strategies; and
- provide a comparison of the current financial estimates of the accelerated work plan for the short-term strategies to what was submitted to Council in December 2016

2.0 Decision History

In July 2017, Toronto City Council adopted the recommendations associated with the "*TransformTO: Climate Action for a Healthy, Equitable and Prosperous Toronto – Report 2 – The Pathway to a Low Carbon Future*". At that time City Council directed the Director, Environment & Energy to submit through the 2018 budget process a priority ranking of the TransformTO short term strategies business cases.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.PE19.4>

In December 2016, Toronto City Council adopted the recommendations associated with the "*TransformTO: Climate Action for a Healthy, Equitable and Prosperous Toronto – Report 1*". At that time City Council adopted the recommended short term strategies and directed that business cases be developed for the 2018 budget in support of implementation of the short term strategies

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.PE15.1>

As an addendum to the December 2016 report, City Council was provided with a report summarizing the scale of investment and resource requirements needed to implement the short term strategies, as well actions to accelerate the implementation of these strategies. This report identified \$1.55 million (and 24 positions) required to be added to the 2017 budget to implement the accelerated strategies and was referred to the 2017 Budget process (presented to Budget Committee on January 12th, 2017) for City Council consideration.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.BU29.1> (BU29.1v)

City Council, as part of the 2017 Approved Operating Budget, added 6 positions (\$0.330 million), to commence in July of 2017, in support of implementation of three of the adopted short term strategies.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX22.2> (recommendation 216)

Key Points:

3.0 Priority Scoring of the TransformTO Short Term Strategies

Four criteria were considered and weighted for each strategy. The criteria are:

1. The marginal abatement cost as identified by the external consultant hired to support TransformTO. The marginal abatement cost is cost of avoidance per tonne of carbon attributed to the strategy. The maximum score in this category is 5 points based on the following scale:
 - 5 points where the marginal abatement benefit was \$1,000 or greater per tonne
 - 4 points where the marginal abatement benefit was between \$100 and \$999 per tonne
 - 3 points where the marginal abatement benefit was between \$1 and \$99 per tonne
 - 0 points where there was no direct marginal abatement benefit or there is a net cost per tonne of avoided carbon over the life of the initiative.
2. The alignment of the short term strategy with funding opportunities available from the Federal and Provincial Governments and the eligibility of the initiative to utilize the City's recoverable debt approach for City facilities. The maximum score in the category is 5 points and points are awarded based on the following:
 - 1 point = Green Municipal Fund (FCM) or Municipal Challenge Fund (MOECC) eligible
 - 1 point = Identified in Provincial CCAP and funding allocation from Greenhouse Gas Reserve Account (GGRA)
 - 1-2 points = Secured funding commitment and scale of GGRA investment
 - 2 points = Recoverable debt eligible (City-owned facilities)
3. When Council adopted TransformTO, it included a recommendation that the design and implementation of actions must be guided by a set of principles related to enhancing Toronto's equity, public health and prosperity. Utilizing the work of the 35 member community Modelling Advisory Committee and the multi-criteria analysis, the short term strategies were scored based on their ability to generate multiple community benefits. The maximum score in this category is 5 points.
4. The final category of assessment involved evaluating the alignment of the short term strategy with the long term goals and targets adopted as by City Council (i.e. 80% emission reduction

by 2050). In other words, the extent to which the short term strategy contributes towards addressing the emissions gap between the Business as Planned Scenario and the long-term target. The maximum score in this category is 10 points.

- Up to 2.5 points for demonstrating leadership within City operations to catalyze market transformation
- Up to 7.5 points for contribution to critical long-term actions to 2050.

Not all of the 23 short term strategies adopted by City Council have been included in the priority scoring. A total of 11 short term strategies were excluded from this assessment because:

1. Council as part of the 2017 budget already allocated funding for the initiative and there is no additional funds required in 2018;
2. It is not anticipated that the short term strategy will require additional funds in 2018-2020; and
3. Other actions and decisions of City Council mean it is not necessary at this time to seek additional funds in 2018.

3.1 Results of Priority Scoring:

Table A below provides a summary of the scoring assigned to each short strategy and their relative ranking in comparison to the other strategies.

TABLE A: RESULTS OF THE PRIORITY SCORING: TRANSFORMTO SHORT TERM STRATEGIES					
Strategies to be Led by the Environment & Energy Division	Priority Score	Scoring by Category			
		Marginal Abatement Cost	Funding Alignment	Co-Benefit	Strategic Alignment
1.1 Enhance Better Buildings Partnership	21.5	4	4	5	8.5
2.1 Advance Leading-Edge New Construction Standard	18.5	5	1	4	8.5
4.2 Scale Renewable Energy installations	17.0	4	4	5	4
4.1 Expand energy retrofits at City Facilities	17.0	3	5	5	4
1.3 Dedicate Funding for Community-Based Climate Action	16.5	0	3	5	8.5
2.3 Advance Low-Carbon/Thermal Energy Networks	15.0	0	5	3	7
1.5 Continue support for residential property owners through Home Energy Loan Program (HELP)	14.5	0	5	5	4.5
5.3 Leverage Live Green Toronto	13.5	0	1	5	7.5
5.2 Use building energy disclosure as an engagement tool	13.5	0	3	5	5.5
5.1 Continue TransformTO Coordination & Long Term Strategy development	13.5	0	1	5	7.5
2.2 Advance Community energy planning	11.5	0	3	4	4.5
2.4 Create a Renewable Energy Strategy	10.5	0	1	4	5.5
Strategies Not Ranked					
<p>4.5 Smart Commute for the Toronto Public Service (funded in 2017)</p> <p>1.2 Innovative Financing and Funding (funded in 2017)</p> <p>5.4 Align programming with Utilities (as identified in the staff report no funding is required for this action)</p> <p>4.4 Improve fleet fuel efficiency (led by Fleet Services)</p> <p>4.3 Utilize landfill gas and biogas (led by Solid Waste Management)</p> <p>1.4 Improve energy efficiency of social housing (led by Shelter, Support & Housing)</p> <p>3.4 Develop a low-carbon freight strategy (led by Transportation Services)</p> <p>As noted in the staff report the following three actions already have Council direction and implementation actions are underway. At this time the lead Divisions are not seeking additional funds as part of the 2018 budget.</p> <p>3.1 Explore road pricing</p> <p>3.2 Support safe cycling and walking</p> <p>3.3 Enhanced transit service</p>					

4.0 The 2018 Operating Budget Submission

As part of the 2017 Budget development process, City Council requested a summary of the investment and resource requirements needed to implement the TransformTO short term strategies starting in 2017. A briefing note was provided through the 2017 Budget process outlining the budget implications for the four years of 2017 to 2020 (<http://www.toronto.ca/legdocs/mmis/2017/ex/bgrd/backgroundfile-100688.pdf>).

Recognizing that time would be required to bring on resources in 2017, the requested operating budget for 2017 was for six months. The requested half year total operating budget for 2017 was \$1.55 million. Starting in January 2018, the total full year budget was estimated to increase by \$5.15 million, totaling \$6.7 million for 2018. In 2019, it was estimated that the operating budget would increase by an additional \$1.13 million bringing the total annual budget to \$7.83 million. The report did not identify, due to time constraints, sources of funding for the total estimated budget.

In February 2017, through the 2017 Budget process, City Council approved \$0.333 million in funding for 6 positions to initiate work on three of the short term strategies. That funding, which has an annual gross operating cost of \$0.723 million in 2018, is being utilized as all 6 positions are filled and are actively working on implementation plans for the related strategies.

The Environment and Energy Division had to revise its plans and funding needs for 2018 and beyond due to the partial approval of funding in 2017. The revised incremental funding request being proposed for 2018 is \$2.375 million gross (\$2.096 million net with recoveries from capital of \$0.279 million). This is different than what was originally proposed for the following reasons:

- 1) the \$6.7 million is inclusive of the 2018 annualized amount of \$0.723 million already approved by Council as part of the 2017 budget;
- 2) in the original plan it was assumed that new staff in 2018 would all be starting in January 2018. The revised plan, assumes a staggered hiring of 35 net new staff where 10 staff will start in April 2018, 15 staff will start in July 2018 and 10 staff will start in April 2019;
- 3) adjustments in the approach to be taken in some actions, such as converting proposed staff positions to hiring external consultants (strategies 2.4 and 3.5), utilizing capital funds to support development of short term strategy 3.4 and accessing external funding in support of short term strategy 5.2;
- 4) modifications to the resource requirements because of the provision of external funding from the Province of Ontario that will be applied to the short term strategy 1.4 (Improve Energy Efficiency of Social Housing), reducing the need for City resources for this strategy;
- 5) in addition to the operating budget request of the Environment and Energy Division, the Fleet Services Division is requesting \$0.172 million gross in 2018, which includes 2 net new

positions to implement Short Term Strategy 4.4. The net operating budget request by Fleet Services is not included in the Environment & Energy Division operating budget request;

- 6) the implementation plan is one that scales up and builds upon early resources, meaning some of the estimated original funding request for 2018 was dependent upon the full approval of the 2017 accelerated plan. The timeline for these planned actions needed to be revised based on a partial approval of those strategies in 2017;

With these revisions the operating budget request for 2018 in support of implementing the TransformTO short term strategies is \$2.375 million gross (\$2.097 million net) for the Environment and Energy Division and \$0.172million for the Fleet Services Division. This is in addition to \$0.723 million included in the 2018 Preliminary Base budget. If adopted by City Council, by the end of 2018 there will be 31 new positions in place in the Environment and Energy Division and 2 new positions in Fleet Services working on the implementation of the TransformTO short term strategies in addition to work underway by other City Program areas, as outlined in Table B on the following page. An additional 10 positions in the Environment and Energy Division will be requested in the 2019 Budget process to commence in April 2019.

Based on this Plan, and subject to annual budget process considerations, by 2020, the full year operating budget for implementation of TransformTO by the Environment & Energy Division will be \$7.046 million gross (\$6.258 million net) and in Fleet Services it will be \$0.276 million gross.

Table B below summarizes by short term strategy the requested staffing and net operating budget for the short term strategies to be led the Environment and Energy Division (EED).

TABLE B: GROSS OPERATING BUDGET REQUEST BY YEAR FOR TRANSFORMTO					
Short Term Strategy	Gross Operating Budget by Year, 2017 to 2020 (\$000s)				Total Staff Complement by April 2019
	2017	2018	2019	2020	
Environment and Energy Division					
1.1 Enhance Better Buildings Partnership	\$233	\$1,074	\$2,027	\$2,421	13
2.1 Advance Leading-Edge New Construction Standard	--	\$127	\$253	\$304	2
4.2 Scale Renewable Energy installations	--	\$169	\$359	\$406	3
4.1 Expand energy retrofits at City Facilities	--	\$161	\$453	\$540	4
1.3 Dedicate Funding for Community- Based Climate Action	--	\$0	\$100	\$138	1
2.3 Advance Low-Carbon/Thermal Energy Networks	--	\$122	\$318	\$394	3
1.5 Continue support for residential property owners through Home Energy Loan Program (HELP)	--	\$260	\$443	\$526	3
5.3 Leverage Live Green Toronto	--	\$270	\$633	\$789	2
5.2 Use building energy disclosure as an engagement tool	--	\$49	\$103	\$106	1
5.1 Continue TransformTO Coordination & Long Term Strategy development	--	\$353	\$635	\$564	3
2.2 Advance Community energy planning	--	\$281	\$445	\$491	4
2.4 Create a Renewable Energy Strategy	--	\$25	\$50	--	0
4.5 Smart Commute for the Toronto Public Service	\$40	\$91	\$95	\$97	1
1.2 Innovative Financing and Funding	\$60	\$114	\$117	\$120	1
3.5 Electric Vehicle Strategy	--	\$0	\$150	\$150	0
3.4 Freight & Goods Movement Strategy		Revised approach. The initiative will be led by Transportation Services, who will seek as part of the 2018-27 capital budget \$700,000 to implement this initiative. See report PW24.8 at http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.PW24.8			
5.4 Align programming with Utilities		As identified in the December 2018 TransformTO staff report no funding is required for this action.			
Sub-Total	\$333	\$3,098¹	\$6,181	\$7,046	41
Other Divisions					
4.4 Improve City owned fleet fuel efficiency (led by Fleet Services)	--	\$172	\$269	\$276	2
4.3 Utilize landfill gas and biogas (led by Solid Waste Management)	--	No net operating impact. Included in SWM's 2018-2027 Capital Plan.			
1.4 Improve energy efficiency of social housing (led by Shelter, Support & Housing)	--	There is no net impact on the operating budget for this action as it is supported by Provincial funding.			
3.1 Explore Road Pricing (led by Transportation Services)	--	This item is on hold following the Province's decision not to proceed, at this time, with legislative changes necessary to allow for the tolling of roads under the jurisdiction of the City.			
3.2 Support Safe Cycling and Walking (led by Transportation Services)	--	Request for resources will occur within the context of the Cycle Network Capital Plan adopted by City Council.			
3.3 Enhanced Transit Service (led by TTC)	--	Request for resources will occur within the context of the Transit Network Plan Update and Financial Strategy adopted by Council			
Sub-Total	--	\$172	\$269	\$276	2
TOTAL TransformTO	\$333	\$3,270	\$6,450	\$7,322	43

¹ The enhanced gross operating budget for TransformTO in the Environment & Energy Division in 2018 is \$2,375 (\$3,098 minus the \$723 annualized cost for approvals made in 2017).

The following provides a summary of the steps being taken by other City Divisions to implement the short term strategies where they have the lead responsibility.

Strategy 4.4 Improve City owned fleet fuel efficiency (led by Fleet Services)

Additional staff resources are being requested for the implementation and support of the TransformTO initiatives. These resources will enable and ensure effective and efficient utilization of available green technologies and management practices in achieving the City's environmental goals and the anticipated savings and other benefits. Two positions (one temporary and one permanent) have been requested for 2018 at a net cost of \$0.172 million in 2018 and \$0.469 million in 2019.

Strategy 4.3 Utilize landfill gas and biogas (led by Solid Waste Management)

There is no net impact on the operating budget from this strategy. Solid Waste Management has included in its 2018-27 capital plan funds for biogas utilization at its organics processing sites and at the Green Lane Landfill.

Strategy 1.4 Improve energy efficiency of social housing (led by Shelter, Support & Housing)

There is no net impact on the operating budget for this action. The Province of Ontario recently announced an additional \$300 million in funding as part of Ontario's Climate Action Plan to support energy efficiency retrofits in social housing. This funding will be utilized to implement this TransformTO short term strategy.

Strategy 3.1 Explore Road Pricing (led by Transportation Services)

At its meeting of December, 2016 City Council requested the Province of Ontario to make the legislative changes necessary to allow for the tolling of roads under the jurisdiction of the City. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX20.2>

The Province has decided to not proceed, at this time, with the necessary legislative changes, meaning this short term strategy is on hold for the time being.

Strategies 3.2 Support Safe Cycling and Walking (led by Transportation Services)

City Council in December 2016 considered a plan to implement the Cycling Network Plan at a rate of \$16 million annually. City Council has endorsed this capital funding plan. Changes and requests for additional resources will occur within the context of this strategy.

Strategy 3.3 Enhanced Transit Service (led by TTC)

At its meeting of November 2016 meeting, City Council adopted the Transit Network Plan Update and Financial Strategy. This report provided an update on the major directions for public transit infrastructure for 2017-2026. Changes and requests for additional resources will be done within the context of this strategy.

The TTC is also exploring alternative technologies for future bus fleet requirements and at the November 2017 meeting of the TTC Board, direction was given to purchase 30 fully electric buses and 230 new generation hybrid electric buses.

[http://ttc.ca/About the TTC/Commission reports and information/Commission meetings/2017/November 13/Reports/4 Green Bus Technology Plan.pdf](http://ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2017/November%2013/Reports/4%20Green%20Bus%20Technology%20Plan.pdf)

5.0 Presentation of the Short Term Strategies in the 2018 Operating Budget

The new 2018 budget request for the Environment and Energy Division groups the short-term strategies into four business cases. The strategies are according to the relative interdependency of the short term strategy with other strategies included in the group. Meaning, for example, if a decision is made to proceed with only one of the proposed strategies in that group, the ability to achieve the forecast full benefit may be hindered by not proceeding with the other strategies in the group.

The four business cases and the short term strategies included in each business case is summarized in Table C below.

TABLE C: FOUR BUSINESS CASES in the EED 2018 OPERATING BUDGET	
Business Case	TransformTO Short Term Strategies
TransformTO Coordination	5.1 Continue TransformTO Community Engagement 1.2 Innovative Financing Mechanisms (<i>funded in 2017</i>) 3.4 Develop Urban Freight Strategy 3.5 Enable Electric Vehicles
Community Energy Planning & Low-Carbon Thermal Networks	2.1 Advance leading-edge new construction standard, 2.2 Advance Community Energy Planning, 2.3 Advance low-carbon/renewable thermal energy networks, and 2.4 Create Renewable Energy Strategy
Leading by Example	4.1 Expand Energy Retrofits at City Facilities 4.2 Scale-up Renewable Energy Installations 4.5 Promote Smart Commute for Toronto Public Service (<i>funded in 2017</i>)
Better Buildings Programs	1.1 Enhance Better Buildings Partnership (<i>Partially funded 2017</i>) 1.3 Dedicated Funding for Community-based Climate Action 1.5 Residential Energy Retrofits (HELP) 5.2 Use buildings energy disclosure (EWRB data) as an engagement tool 5.3 Leverage Live Green Toronto

6.0 Conclusion

The 2018 Operating Budget request to implement the short term strategies for TransformTO should not be seen as the only actions being taken to achieve the adopted goals. A few recent decisions and proposals before City Council highlight this and include:

- the direction from the TTC Board to purchase 30 electric buses;
- the staff report recommending a revised and enhanced Toronto Green Standard;
- the direction to develop a partnership with a service provider for the construction of low carbon thermal district energy systems;
- the recent submission of \$250 million in capital projects seeking funding of \$110 million from Ontario's Climate Change Municipal Challenge Fund; and
- the direction to leverage funding from the Province for energy retrofits at TCHC buildings by providing a recoverable debt loan of \$35 million facilitating even deeper energy retrofits in nine buildings.

Allocation of the resources needed to implement the recommended short term strategies, will facilitate accelerated energy efficiency retrofits in buildings, the development of renewable energy systems including low carbon thermal energy systems, a shift to sustainable transportation choice, and the development of the community wide implementation partnerships. The short term strategies accelerate in place and already planned actions and through that acceleration help put Toronto on the trajectory to address the identified almost nine mega tonne gap that must be addressed to achieve the goal of an 80% reduction in greenhouse gas emissions.

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Date: December 8th, 2017