

EX25.18a



Decision Letter

Budget Committee

Meeting No.	32	Contact	Jennifer Forkes, Committee Administrator
Meeting Date	Thursday, May 11, 2017	Phone	416-392-4666
Start Time	9:30 AM	E-mail	buc@toronto.ca
Location	Committee Room 1, City Hall	Chair	Councillor Gary Crawford

BU32.7	ACTION	Amended		Ward:All
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2018 Budget Process - Budget Directions and Schedule

Committee Decision

The Budget Committee recommends that:

1. City Council approve the 2018 Budget Process and Schedule which is designed to develop, review and adopt 2018 Rate Supported Operating Budget and 2018 to 2027 Capital Budget and Plan by December 7, 2017 and the 2018 Tax Supported Operating Budget and 2018 to 2027 Capital Budget and Plan by February 13, 2018 as set out in Appendix 1 to the report (May 8, 2017) from the City Manager and the Deputy City Manager and Chief Financial Officer.
2. City Council direct that all City Agencies submit their respective Operating Budget and 2018 - 2027 Capital Plan requests to the Deputy City Manager and Chief Financial Officer in accordance with the following requirements:
 - a. budget targets approved by City Council;
 - b. submission format, submission components and the period that it covers as established by the Deputy City Manager and Chief Financial Officer, and that staff make best efforts that such submission components include the cost of capital and operating commitments the City has made in policies, plans and strategies that Council has adopted;
 - c. the City's 2018 Operating and Capital Budget Submission Guidelines and Instructions Manual; and
 - d. budget submission deadlines as established by the Deputy City Manager and Chief Financial Officer, so that City staff can fully review Agency budget submissions as part of the Administrative Review process.
3. City Council direct that all City Agencies submit their final Board-approved 2018 Operating Budget and 2018 – 2027 Capital Budget and Plan requests no later than October 1, 2017.
4. City Council approve the following Operating Budget target and guidelines for the preparation and submission of 2018 Operating Budget requests by all City Programs, and

Agencies:

- a. all City Programs and Agencies be directed to prepare their 2018 net operating budgets equal to the 2017 Approved Net Operating Budget; and
 - b. all City Programs and Agencies continue to pursue cost containment, service efficiency, modernization, service level and revenue strategies to meet the budget target set out in Recommendation 4a above.
5. City Council direct that City Programs and Agencies submit their 2018 – 2027 Capital Budget and Plans requiring that:
- a. Capital Plan submissions adhere to the debt levels approved by Council for the 2017 – 2026 Capital Plan as part of the 2017 Budget process, and projects be added in the new tenth year, 2027, that can be accommodated within current debt affordability targets to be determined by the Deputy City Manager and Chief Financial Officer;
 - b. Annual cash flow funding estimates be examined to more realistically match cash flow spending to project activities and timing, especially in the first 5 years of the Capital Plan's timeframe;
 - c. Priority be placed on completing transit, transportation and social infrastructure projects funded through intergovernmental agreements in order to meet program conditions and deadlines to mitigate risk to the City;
 - d. Stage-gating be implemented for major capital projects with the requirement for Council approval be conditional on project cost estimates being based on detailed design completion and secured funding sources; and
 - e. Unfunded capital project estimates and timing be refined and submitted to inform the Long Term Financial Plan's expenditure and revenue strategies.
6. City Council apply the recommended 2018 operating budget reduction target and guidelines and the capital budget guidelines detailed in Recommendations 4 and 5 above to the Accountability Offices for the 2018 Budget Process.
7. City Council direct City Programs and Agencies to report on the equity impacts of the recommended efficiencies and service level changes included in the 2018 Operating Budget, with particular focus on the gender impact of these budget change proposals and the impact on persons with low-income.
8. City Council direct the City Manager and the Deputy City Manager and Chief Financial Officer to review existing tax and fee waivers, discounts and exemptions, as part of the 2018 Budget process.

Decision Advice and Other Information

The Budget Committee:

1. Requested the Deputy City Manager and Chief Financial Officer to submit a report directly to the May 24, 2017 Council meeting with the implementation costs for 2018 associated with the following approved plans:

- TO Prosperity: Toronto Poverty Reduction Strategy
- Toronto Fair Pass Program
- Toronto Strong Neighbourhoods 2020
- Toronto Youth Equity Strategy
- Toronto Seniors Strategy: Toward an Age-friendly City
- Toronto Newcomer Strategy
- Housing Opportunities Toronto: An Affordable Housing Action Plan
- Recreation Service Plan
- Childcare Growth Strategy
- Transform TO: Climate Action for a Healthy, Equitable, Prosperous Toronto
- Middle Childhood Strategy
- Parks Plan

Origin

(May 8, 2017) Report from the City Manager and the Deputy City Manager and Chief Financial Officer

Summary

The purpose of this report is to establish the 2018 Budget process and schedule to review and approve the Tax and Rate Supported 2018 Operating Budget and the 2018 to 2027 Tax and Rate Capital Budget and Plan for the City of Toronto.

The recommended 2018 Budget Process and Schedule is designed so that the Rate Supported Budgets are approved by December 7, 2017 and the Tax Supported Budgets are approved by February 13, 2018.

To ensure adequate time to review agency board budget submissions and to assess service and expense risks, it is recommended that City Council direct all City Agencies to submit their respective budget submissions in accordance with the submission timelines and requirements determined by the Deputy City Manager and Chief Financial Officer and submit their final Board-approved budget submissions no later than October 1, 2017.

This report also lays out the 2018 operating revenue and expenditure projections which have been, in part, determined by decisions approved in the 2017 Budget process as well as anticipated costs and revenues associated with maintaining approved service levels. These projected pressures are presented to assist Budget Committee and Council in establishing recommended budget targets and directions for City Programs, Agencies, and Accountability Offices in order to address significant budget pressures forecasted for 2018. These estimates are projected based on current information and are not final. These estimates will change with the receipt of actual budget submissions.

A net tax supported expenditure increase of \$343 million is projected for 2018. This estimate is driven by an assumed 2 percent residential tax rate increase. These estimates account for the reversal of \$91 million in one-time bridging strategies approved in the 2017 Budget.

Operating expenses are forecasted to increase by \$499 million with the City's key Agencies - TTC (\$126 million); TCHC (\$72 million); Toronto Police (\$9 million) and Toronto Public Library and Public Health (\$10 million) - and Capital Financing and other Non-Program expenses (\$171 million), projected as the key service cost drivers. With revenues assumed to

grow by \$156 million, net budget pressures are estimated to be \$343 million. Cost containment, service efficiency, modernization and service level changes as well as revenue strategies are required to offset net base pressures in order to balance the 2018 Operating Budget. These strategies will simply address current service costs and exclude any funding for new and enhanced service investments.

Given the limited funding for City services, there is little additional financial capacity to fund any new capital works in 2018. As a result, City Programs, Agencies and Accountability Officers must submit 2018 – 2027 Capital Budget and Plans on a status quo basis. This requires capital plan requests to adhere to the 2017 – 2026 Capital Plan’s annual debt funding approved by Council as part of the 2017 Budget process, and projects be added in the new tenth year, 2027, that can be accommodated within current debt targets to be provided by the Deputy City Manager and Chief Financial Officer.

Prior to 2017, the City Manager and Chief Financial Officer set targets for all City Programs and Agencies in advance of budget preparation. These targets were met with varying degrees of compliance and impact. Beginning with the 2017 Budget process, Budget Committee recommended budget targets for all City Programs, Agencies and Accountability Offices for approval by City Council.

This report recommends for Budget Committee's consideration an operating budget target that requires all Operating Budget (net) submissions to be equal to their 2017 Net Operating Budget, representing a 0 percent increase over the 2017 Net Operating Budget and a status quo 10-Year Capital Budget and Plan based on the City's current debt limits.

In addressing 2018 budgetary challenges, it will be necessary to ensure consistency between decisions to be taken in 2018 with the City's emerging longer-term priorities.

Background Information

(May 8, 2017) Report and Appendices 1 to 4 from the City Manager and the Deputy City Manager and Chief Financial Officer on 2018 Budget Process - Budget Directions and Schedule

<http://www.toronto.ca/legdocs/mmis/2017/bu/bgrd/backgroundfile-103732.pdf>

(April 27, 2017) Report from the Deputy City Manager and Chief Financial Officer on 2018 Budget Process - Budget Directions and Schedule - Notice of Pending Report

<http://www.toronto.ca/legdocs/mmis/2017/bu/bgrd/backgroundfile-103346.pdf>

Communications

(May 9, 2017) E-mail from Patricia Reid (BU.Supp.BU32.7.1)

(May 10, 2017) E-mail from Henrik Bechmann (BU.Supp.BU32.7.2)

(May 10, 2017) E-mail from Elin Goulden (BU.Supp.BU32.7.3)

(May 10, 2017) E-mail from Susan Kwong, Social Planning Toronto, submitting a letter on behalf of leaders of various community organizations (BU.Supp.BU32.7.4)

<http://www.toronto.ca/legdocs/mmis/2017/bu/comm/communicationfile-69341.pdf>

(May 10, 2017) E-mail from Melissa Goldstein, Chair, Housing Action Now (BU.New.BU32.7.5)

<http://www.toronto.ca/legdocs/mmis/2017/bu/comm/communicationfile-69342.pdf>

(May 10, 2017) E-mail from Rosemary Boissonneau (BU.New.BU32.7.6)

(May 11, 2017) E-mail from Dan Cameron (BU.New.BU32.7.7)

(May 11, 2017) E-mail from Lyn Adamson, Chair, ClimateFast (BU.New.BU32.7.8)

<http://www.toronto.ca/legdocs/mmis/2017/bu/comm/communicationfile-69345.pdf>

(May 11, 2017) E-mail from Laura Buccioni, Community Development Worker, Women's Habitat of Etobicoke (BU.New.BU32.7.9)

(<http://www.toronto.ca/legdocs/mmis/2017/bu/comm/communicationfile-69346.pdf>)

(May 11, 2017) E-mail from Sheila Zurbrigg (BU.New.BU32.7.10)

(May 11, 2017) Submission from Susan Bender, Manager, Toronto Drop In Network, Member Fair Fare Coalition (BU.New.BU32.7.11)

(May 11, 2017) E-mail from Lee Adamson (BU.New.BU32.7.12)

(May 11, 2017) E-mail from Barbara Falby (BU.New.BU32.7.13)

Speakers

Michael Rosenberg

The Reverend Maggie Helwig, Social Justice and Advocacy Committee of the Anglican Diocese of Toronto

Helen Armstrong, St. Stephen's Community House

Lebohang T. Nicol

Derek R. George, St. Stephen's M.A.C. Group

Maureen Adams, Director, Advocacy and Communications, YWCA

Riley Peterson, Budget Lead, Toronto Youth Cabinet

Robin Buxton Potts, Evergreen Brickworks

Patricia O'Connell, Executive Director, Sistering

Lyn Adamson, ClimateFast

Sean Meagher, Executive Director, Social Planning Toronto

Susan Bender, Manager, Toronto Drop In Network

Sharon Howarth

Councillor Janet Davis

Councillor Joe Cressy

Councillor Kristyn Wong-Tam

Councillor Sarah Doucette

Councillor Gord Perks

Councillor Paula Fletcher