

Appendix B: Key Issues/Risks Facing the City of Toronto

Issues / Risk	Actions Taken with Impacts in 2017	Actions planned for 2018 and beyond
<p>The City is challenged to respond to and fund increasing demand for services associated with population growth, traffic congestion, housing affordability, and poverty reduction.</p>	<ul style="list-style-type: none"> • In 2015, City Council adopted a Poverty Reduction Strategy, with a set of actions to be carried out over a four year period. The 2017 work plan contained 91 initiatives, most of which were achieved or being actioned during 2017. • City Council had previously adopted a Housing Opportunities plan and a new Open Door Affordable Housing Program to address the need for affordable housing. In 2017, the City oversaw approximately 4,000 affordable homes being built or repaired (to be completed within one to four years). • In 2017, City Council approved a "Tenants First" implementation plan for the first phase of reforming TCHC, and invested an additional \$37 million into TCHC's operating budget. The City is also providing additional funding to enable TCHC to address its state of good repair backlog. • The City increased shelter capacity by almost 30% during 2017, adding 279 beds to the shelter system and 825 motel beds to programs serving families, mostly asylum seekers. • With support from the other orders of government, including \$34.5 million in provincial funding, and \$21.5 million from the Federal government, the City increased access to affordable child care from birth to age twelve, through additional fee subsidies, access and affordability measures and capital expansion funding. • In 2017, to make transit more affordable, the City extended its fare equity program (originally targeted to children 12 years of age or younger) to low-income adults aged 20 to 64, providing the same reduced fare available to youth, students and seniors. 	<ul style="list-style-type: none"> • The 2018 Poverty Reduction Strategy Work Plan includes 73 initiatives to further advance the Strategy. • In 2018, the City will continue to aggressively pursue its annual targets of 1,000 new affordable rental and 400 new affordable ownership homes. • In 2018, the City will implement further actions in the reform of TCHC, including the creation of Seniors Housing and Services Entity and other initiatives to modernize the social housing system. • For 2018, in response to the unprecedented demand for shelter, the City is targeting to open 1,000 new shelter beds, with three new shelters to be opened by the end of 2018. • In 2018, the City plans to add an additional 825 subsidies for younger children. 250 new spaces will be added from the remaining balance of the 2017 Canada-Ontario allocation, while the City's growth strategy proposes to add \$11.2 million in new capital investments to build three child care centres, creating approximately 180 new spaces. • For 2018, it is proposed that the fare equity program provide reduced fares to Toronto residents receiving support from Ontario Works and the Ontario Disability Support Program.

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	<ul style="list-style-type: none"> To increase employment opportunities, the City has partnered with two major programs – the Partnership to Advance Youth Employment (PAYE) and Youth Employment Partnerships (YEP), which in 2017 connected more than 4,200 youth to employers recruiting, and learning and networking events. Toronto Employment and Social Services (TESS) in 2017 began providing wrap-around support to Ontario Works clients with complex needs through a new intensive case management pilot program. In 2017, the City also became the first municipality in Canada to implement a Social Procurement Program. 	<ul style="list-style-type: none"> In 2018, employment partnerships will continue, and will build on key learnings in pursuing new approaches.
<p>Demands for growth as laid out in the City's Official Plan or other Sectoral and Program plans are not adequately funded</p>	<ul style="list-style-type: none"> There is a growing gap between Council's vision for Toronto and available funding. During 2017, the City furthered its development of a Long-Term Financial Plan, including public consultations. Development of an updated development charges bylaw and Background Study to reflect the City's growth-related capital plans and changes to Provincial legislation. The Province and Federal Governments have made significant funding commitments for transit infrastructure in the Greater Toronto Area, including funding for the Scarborough Subway, new LRT lines and SmartTrack/Regional Express Rail (RER). Council approved road tolling as a new revenue source for the City. The Province later rejected road tolls, but also announced a doubling of provincial gas tax rates for municipalities to be phased in over five years starting in 2018. 	<ul style="list-style-type: none"> A new Long-Term Financial Plan was presented in early 2018 for consideration by Committee. Continue to refine cost estimates related to growth plans. Continue to work with the Province and Metrolinx to plan new transit infrastructure. Seek approval of an updated development charges bylaw and Background study reflecting updates to the City's growth-related capital plans and required changes to Provincial legislation. Continue to direct funding to the infrastructure backlog. Continue to advocate for provincial legislative changes to the Development Charges Act, such as eliminating ineligible costs and services and eliminating the 10 percent statutory rate discount. Work with the Province to find better mechanisms to increase the pricing of public goods, including the potential for congestion pricing on a region-wide basis.
<p>There is a variability in certain program expenditures from year to year, some of which are</p>	<ul style="list-style-type: none"> Continued to work with the Province on a Toronto-Ontario partnership agreement for permanent, sustainable transit operating funding. 	<ul style="list-style-type: none"> Through the Social Service upload, the Province has re-established the principle that income support programs should not be funded from the

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vulnerable to economic downturns and interest rate fluctuations	<ul style="list-style-type: none"> • Continued to monitor and take action on other risks impacting the City with potential financial impacts: <ul style="list-style-type: none"> ○ Climate change adaptation and environmental risks management ○ Interest rate changes on Social Housing costs, investment returns and debt charges ○ Affordable housing alternatives and the end of federal subsidies • In accordance with the City's Surplus Management Policy, select Reserves and Reserve Funds were allocated 2016 Operating Surplus funds in 2017 to accommodate fluctuations in demands. 	<p>property tax base. As such, the City will continue its discussion with the Province regarding its funding responsibilities for Social Housing.</p> <ul style="list-style-type: none"> • Continue to negotiate with the Province on permanent, sustainable transit operating funding and the need for sustainable capital funding sources for affordable and public housing and priority transit/transportation projects. • Implement the new Community Homelessness Prevention Initiative (CHPI). • Closely monitor key economic indicators and market conditions to identify trends and forecast impacts on expenditures and revenues, and continue to develop funding strategies to mitigate financial risks. • Continue to monitor the adequacy of the City's Reserves and Reserve Fund balances.
Business property taxes are not competitive with the surrounding urban area (905 area code)	<ul style="list-style-type: none"> • The City has continued the implementation of the "Enhancing Toronto's Business Climate" initiative, adopted by City Council in October 2005 – a plan to reduce the ratio for property tax rates for businesses (i.e. commercial and industrial and multi-residential properties) to 2.5 times the residential tax rate by 2020, and further, to provide for an accelerated reduction in tax rates for smaller businesses, with a target of 2.5 times the residential rate by 2015 (which was met in 2015). For 2017, the target date was revised to 2023 to reach a ratio of 2.5-times the residential rate. 	<ul style="list-style-type: none"> • To continue with the Business tax reduction strategy, under the revised time-frame. • The City will also consider tax policy options to address unprecedented tax increases on businesses in high-growth areas, including options to support sector specific groups, such as art and culture. • Public consultations are planned to be undertaken in 2018 to identify options for tax policy in 2019 and beyond, including any necessary legislative/regulatory changes needed.
The City lacks adequate revenue sources to fund its municipal responsibilities	<ul style="list-style-type: none"> • Province announced a doubling of Provincial Gas Tax revenue for municipalities that is expected to grow from \$162 million to \$320 million by 2022. • Municipal Land Transfer Tax (MLTT) continued to attract a record level of revenue in 2017 (\$805 million). • Council approved a new City of Toronto Investment Policy at its meeting on December 5- 	<ul style="list-style-type: none"> • Continue to investigate viable revenue options that have the potential to generate appropriate amounts of revenue to fund Council's directed investments. • Continue to work with the Provincial and Federal governments to secure long term permanent funding solutions for key priorities such as social housing and transit.

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	<p>8th, 2017 allowing the City to invest its general and sinking funds, according to the "Prudent Investor" Standard. The new policy provides the City with the opportunity to improve investment revenues without incurring additional risk.</p> <ul style="list-style-type: none"> • City Council endorsed the creation of a hotel and short-term rental tax subject to receiving the necessary legislative authority, and directed staff to report back on the proposed design features and implementation authorities. • Continued to undertake continuous improvement, program reviews and cost containment initiatives, and to develop the service-based, multi-year Financial Planning, Analysis and Reporting System (FPARS). • The City Manager's Office continued work on Council's direction for expanded gaming at Woodbine Racetrack, associated increase in revenues to the City. 	<ul style="list-style-type: none"> • Continue to budget cautiously for MLTT to avoid negative budget impacts and contribute any surplus to fund the capital shortfall. • Consider development of a new financial policy to address the risk associated with the cyclical nature of MLTT revenue, including consideration of Council feedback on the appropriate role of the tax over the long-term. • Consider reporting annually to Council on the estimated foregone revenues associated with tax and fee discounts, waivers, rebates, deferrals and exemptions. • Identify the full cost of all services, including operating costs, capital costs, overhead and externalities in order for Council to decide where user fees and rates can be set to recover the full cost of these services. • Begin diversifying City investments according to the new provincial "prudent investor" standard so as to earn improved risk-adjusted rates of return. • Continue to advance strategies and actions through the Long-Term Financial Planning process to guide the City in the development of a multi-year expense management plan and revenue strategy as well as revised budget processes, as required. • Conduct an analysis to determine the potential of progressive residential property tax rates as a revenue generating opportunity and a means to address inequality in the tax system. • Continue dialogue with Provincial Government regarding legislative/regulatory reforms necessary to implement new taxes for 2018 and future years. • Maintain continuous improvement initiatives including enhanced performance measures and benchmarking.

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		<ul style="list-style-type: none"> Continue to implement shared services between the City and its agencies for common corporate functions to improve service delivery and customer service, and /or achieve cost savings by the end of 2018.
City's investment in ageing infrastructure has been lagging	<ul style="list-style-type: none"> The City continued to plan for capital on a 10 year basis. 75% of the 2016 Operating Budget Surplus transferred to the Capital Financing Reserve for funding priority transit and transportation infrastructure projects. Continued to grow Capital-from-Current funding by 10% annually. As part of the 2016 Budget, Council approved a new dedicated property tax levy for priority transit and housing capital projects (Capital Building Fund) to be phased in over 5 years starting in 2017. 	<ul style="list-style-type: none"> Continue to develop firm 10-year Capital Plans with an emphasis on the state of good repair activities. Continue to put aside at least 75% of the previous year's operating budget surplus into the Capital Financing Reserve. Continue in the implementation of the non-debt capital funding strategy to fund additional TTC and Transportation Capital shortfalls identified in the ten year Capital Plan. Continue to grow Capital-from-Current funding by 10% annually. Continue to work with the Provincial and Federal governments to secure long term permanent funding solutions for key priorities such as social housing and transit. Continue advocacy campaigns to restore provincial and federal funding for social housing and the development of a National Housing Strategy. Consider engaging third party experts to review the adequacy of the City's reserves and reserve funds with a view to consider funding observed inadequacies in the operating budget. Investigate all financial implications associated with raising the City's annual debt service limit that is currently limited to no more than 15% of property tax revenues on average over a ten year period.
The City pays a disproportionate share of the costs to deliver services that	<ul style="list-style-type: none"> City Council requested that the Province of Ontario: 	<ul style="list-style-type: none"> Investigate the development of a strategic approach and a set of priorities for working with

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<p>provide broad benefits to the region and the province as a whole, including housing, transit and anti-poverty initiatives.</p>	<ul style="list-style-type: none"> ○ Increase health service supports administered through the Local Health Integration Networks, to the City's shelter system ○ Re-introduce funding mechanisms to offset the cost of sudden and prolonged increases in demand for emergency shelter space in Toronto. ● City Council urged that the Federal government: <ul style="list-style-type: none"> ○ Expedite the implementation of the National Housing Strategy, including maintaining Toronto's baseline Social Housing funding at 2017 levels. ○ Pay for all necessary resources, including affordable housing and shelter costs, for any refugees that have moved to Toronto over the last three years. ● City Council requested the Mayor and the City Manager to advance discussions with the Government of Ontario and the Government of Canada on funding that will benefit Toronto Community Housing Corporation. ● City Council requested the Government of Ontario to increase the Ontario Works Shelter Allowance to reflect the average market rent in Toronto. ● City Council requested that the Federal Government require the Province of Ontario to contribute to a 40-40-20 cost share model related to the Public Transit Infrastructure Fund (Phase II) and the National Housing Strategy. ● City Council requested the Province of Ontario and the Government of Canada to confirm the sources of funding for the provincial and federal commitments to the Scarborough Subway Extension. 	<p>the Province, including how the City and Province engage with the federal government.</p> <ul style="list-style-type: none"> ● Continue to work with the Provincial and Federal governments to secure long term permanent funding solutions for key priorities such as social housing and transit. ● Work with the Province to find better mechanisms to increase the pricing of public goods, including the potential for congestion pricing on a region-wide basis. ● Approach the Province for a more realistic working relationship around the integration of community services with funding models based on the allocation of progressive revenue sources to programs that yield broad social benefits.