

# Toronto 2018 BUDGET



## OPERATING BUDGET NOTES



## Office of the Chief Financial Officer

### 2018 OPERATING BUDGET OVERVIEW

The Office of the Chief Financial Officer ensures the effective use of the Corporation's financial resources by providing sound financial planning management and advice; maintaining financial control; developing and implementing effective financial strategies; and by providing timely, accurate and efficient services to Programs, Agencies, Council and the public.

### 2018 Budget Summary

The total cost to deliver these services to Toronto residents is \$17.208 million gross and \$9.783 million net as shown below:

(in \$000's)	2017 Budget	2018 Preliminary Budget	Change	
			\$	%
Gross Expenditures	16,969.2	17,208.2	239.1	1.4%
Revenues	7,185.9	7,425.0	239.1	3.3%
<b>Net Expenditures</b>	<b>9,783.3</b>	<b>9,783.3</b>	<b>0.0</b>	<b>0.0%</b>

The Program was able to meet the budget target through aligning salary and benefits costs to actual workforce cost requirements and increased recoveries for costs associated with direct support for Rate Programs and corporate functions (debt management and insurance).

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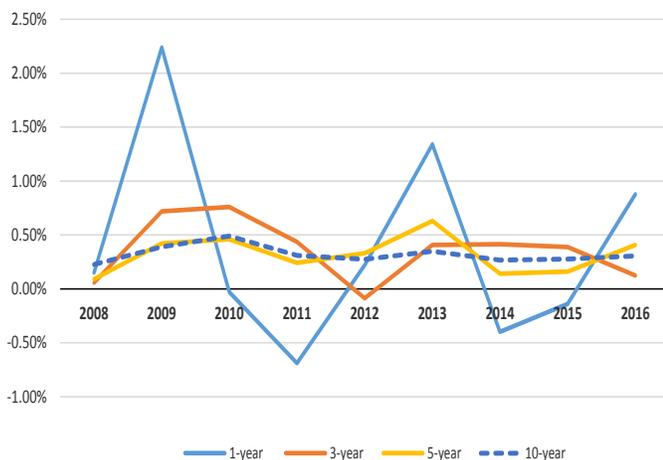
**FAST FACTS**

- Manages the City's investment portfolio totalling \$5 billion
- Manages \$1.8 billion in sinking funds and supports the City's pension and trust funds
- Insures \$16.2 billion worth of property
- Manages a financial planning and budgeting process that delivers the City's Operating Budget for over 155 services and 10-Year Capital Plan for \$76 billion in City assets
- Provides financial oversight on a \$12.3 billion Operating Budget and a \$39.7 billion 10-Year Capital Plan for both Tax- and Rate-Supported Programs in accordance with the City's Financial Control By-law and quarterly reporting to Committees and Council
- Maintains the City's fiscal health, through the management of debt servicing costs within affordability limits and other financial strategies
- Provides financial analysis, advice and oversight of the City's financial affairs

**TRENDS**

- Returns on General Funds Market one-year terms show the most volatility, while the ten-year annualized returns show stability over a ten-year investment horizon.
- As at December 31, 2016, the City's investment program has out-performed the benchmark by
  - 0.88% in 1-year annualized return
  - 0.12% in 3-year annualized return,
  - 0.41% in 5-year annualized return, and
  - 0.31% in 10-year annualized return.

City of Toronto General Funds Market Returns vs Benchmark by Term



**KEY SERVICE DELIVERABLES FOR 2018**

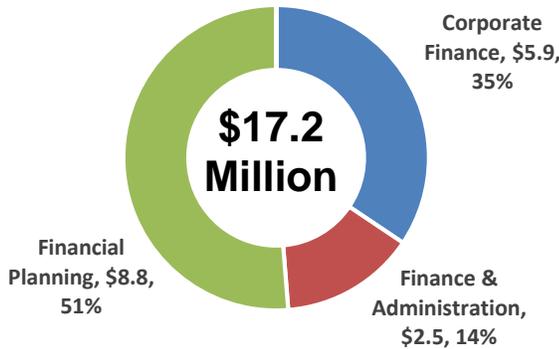
The Office of the Chief Financial Officer provides quality financial services; corporate strategic, financial and risk management expertise; and corporate financial planning, management, reporting and control services to ensure the fiscal sustainability of the City in delivering programs and services to the public.

The 2018 Operating Budget will enable Office of the Chief Financial Officer to continue to:

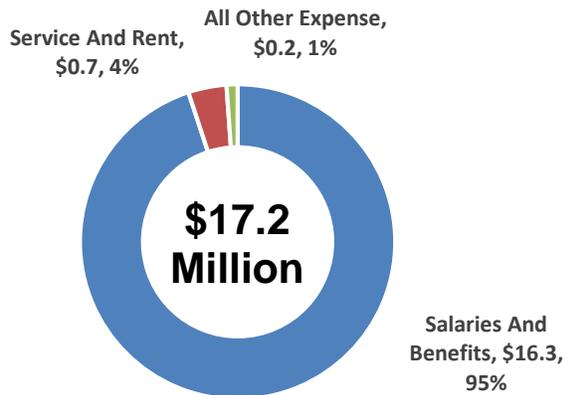
- Deliver a Long-Term Financial Plan that provides for sustainable services and reliable infrastructure with modest impacts to taxpayers.
- Deliver the City's 2018 and 2019 Budget process
- Review tax/revenue policies to improve City revenue growth (e.g. new revenue tools)
- Assist or lead negotiations with the Province in the key areas of social housing, transit, transportation and long-term care
- Maintain positive relations with the City's credit rating agencies
- Close the funding gap on the City's operating budget while addressing growing demands for service expansion and escalating costs to deliver current service levels
- Continue to address capital funding challenges from rising state of good repair (SOGR) needs and growth demands
- Leverage City assets and other non-debt strategies to generate funding for unmet capital needs and help offset new debt requirements
- Implement process changes resulting from corporate business transformation projects requiring support for implementation.

Where the money goes:

2018 Budget by Service

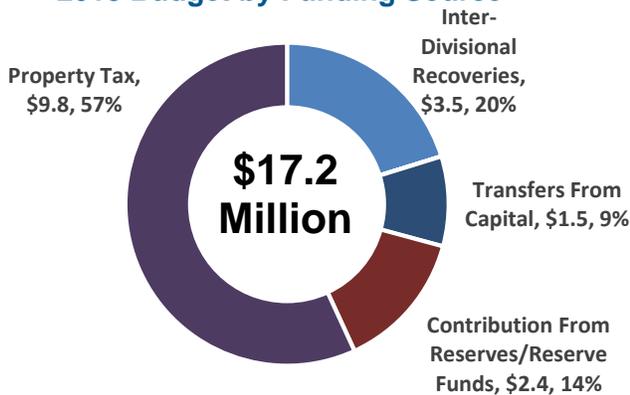


2018 Budget by Expenditure Category



Where the money comes from:

2018 Budget by Funding Source



OUR KEY ISSUES & PRIORITY ACTIONS

- **Delivering a Long-Term Financial Plan** with new and sustainable financing sources to support programs, services and infrastructure by:
  - ✓ Strengthening the City's strategic decision-making, financial planning and oversight
  - ✓ Implementing a Multi-year expenditure management plan
  - ✓ Implementing a Multi-year revenue strategy
- **Enhancing transparency and accountability of financial control and management** by updating the Financial Control Bylaw with a detailed review of the existing bylaw.
  - ✓ Establish Bylaw that incorporates financial management and control best practices
  - ✓ Provide foundation for managing City resources
  - ✓ Support transformation of the City into a service-based and performance-focused organization
  - ✓ Ensure compliance with Provincial and other related legislation

2018 OPERATING BUDGET HIGHLIGHTS

- The 2018 Preliminary Operating Budget for Office of the Chief Financial Officer is \$17.208 million gross and \$9.783 million net representing an increase/decrease of 0% to the 2017 Approved Operating Budget.
- Staff complement will increase by 1.0 from 2017 to 2018.
- New and enhanced funding of \$0.130 million gross, \$0 net is provided to support the new Investment Board
- The 2018 Preliminary Operating Budget provides funding for:
  - ✓ Provision of accounting, payroll, purchasing services to support CFO divisions
  - ✓ Financial oversight of 2018 Operating Budget and 10-Year Capital Plan and Budget process
  - ✓ Provision of project analysis, advisory, negotiation and research services for major corporate initiatives and multi-lateral projects
  - ✓ Provision of financial planning and management analysis and advice, review of all Committee reports with financial implications

## Actions for Consideration

Approval of the 2018 Preliminary Budget as presented in these notes requires that:

1. City Council approve the 2018 Preliminary Operating Budget for Office of the Chief Financial Officer of \$17.208 million gross, \$9.783 million net for the following services:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Finance & Administration:	2,467.1	2,354.8
Corporate Finance:	5,919.5	1,716.3
Financial Planning:	8,821.7	5,712.3
Total Program Budget	<u>17,208.2</u>	<u>9,783.3</u>

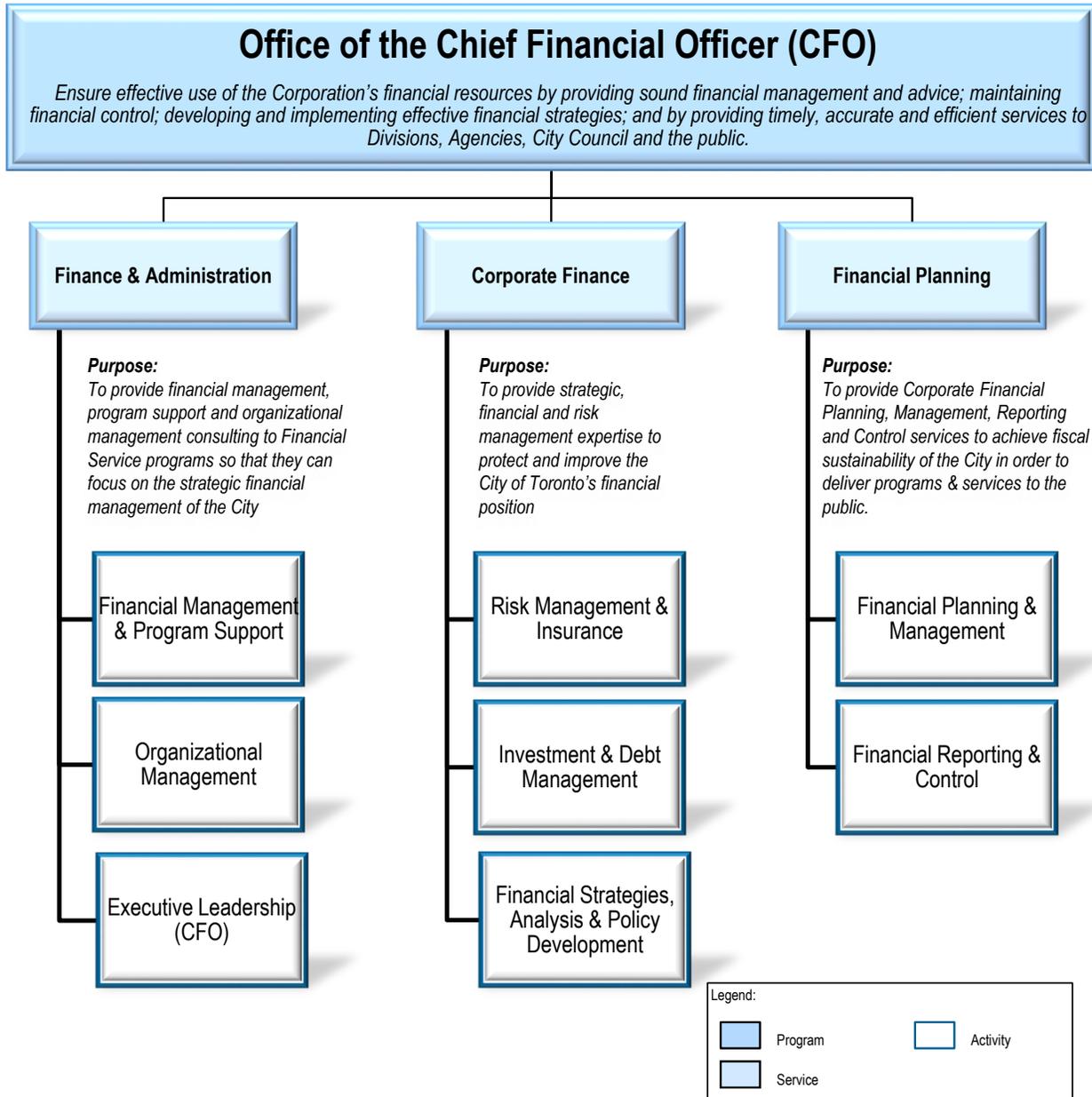
2. City Council approve the 2018 service levels for Office of the Chief Financial Officer as outlined on pages 13-14, 17-20 and 24-25 of this report, and associated staff complement of 119.0 positions, comprising 11.0 capital project delivery positions and 108.0 operating service delivery positions.



# Part 1

## 2018-2020 Service Overview and Plan

### Program Map



### Service Customer

**Finance & Administration**

- City Manager
- CFO
- Staff - City Divisions
- Staff - Agencies and Boards

Indirect (Beneficiary)

- Residents / Taxpayers
- Businesses

**Corporate Finance**

- City Council
- Mayor
- City Manager & DCMs
- Staff - City Divisions
- Staff - Agencies and Boards
- Pension Funds
- Investment Advisory Committee

Indirect (Beneficiary)

- Residents / Taxpayers
- Businesses

**Financial Planning**

- City Council
- Mayor and DCMs
- Staff - City Divisions
- Staff - Agencies and Boards

Indirect (Beneficiary)

- Residents / Taxpayers
- Businesses

**Table 1**  
**2018 Preliminary Operating Budget and Plan by Service**

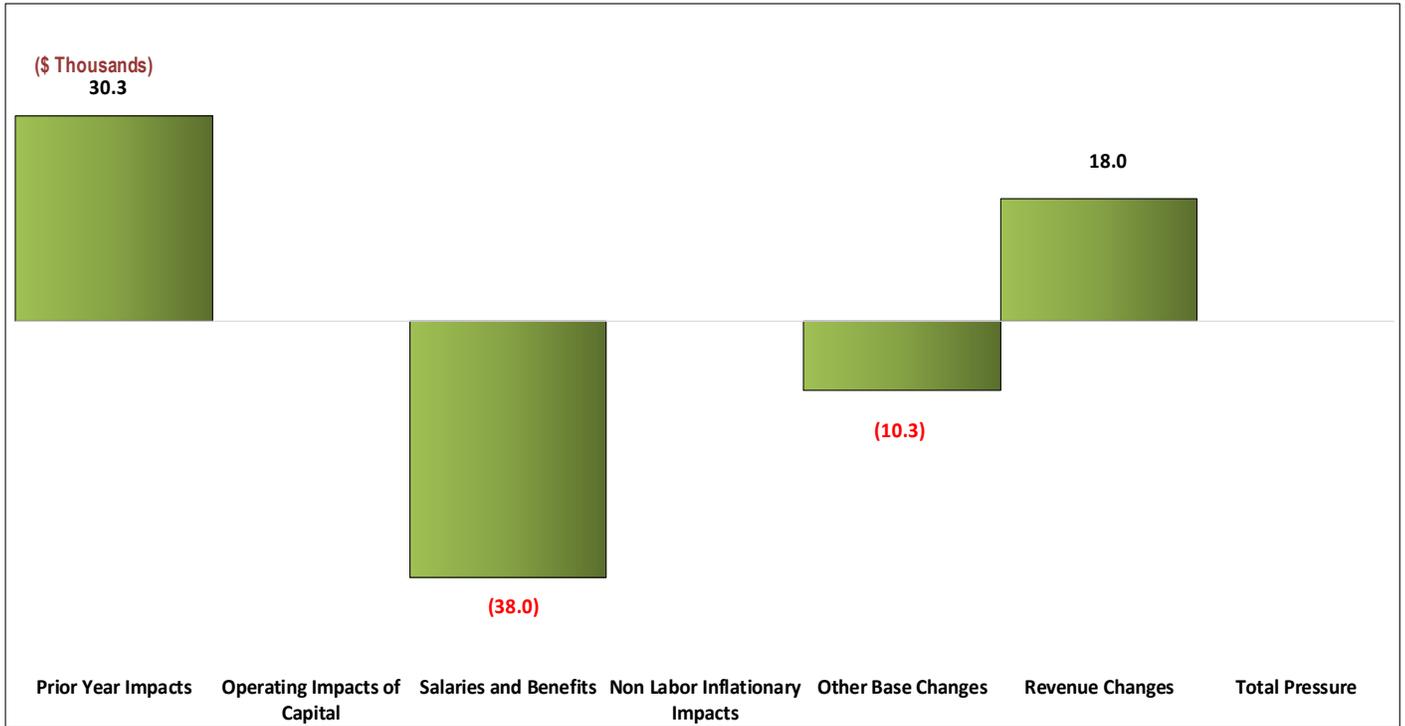
(In \$000s)	2017		2018 Preliminary Operating Budget			2018		Incremental Change			
	Budget	Projected Actual	Base	New/Enhanced	Total Budget	Preliminary vs. 2017 Budget		2019 Plan		2020 Plan	
By Service	\$	\$	\$	\$	\$	\$	%	\$	%	\$	%
<b>Finance &amp; Administration</b>											
Gross Expenditures	2,442.1	2,525.3	2,467.1	0.0	2,467.1	25.0	1.0%	59.2	2.4%	63.7	2.5%
Revenue	87.3	113.1	112.3	0.0	112.3	25.0	28.6%	0.0		0.0	
<b>Net Expenditures</b>	<b>2,354.8</b>	<b>2,412.2</b>	<b>2,354.8</b>	<b>0.0</b>	<b>2,354.8</b>	<b>0.0</b>	<b>0.0%</b>	<b>59.2</b>	<b>2.5%</b>	<b>63.7</b>	<b>2.6%</b>
<b>Corporate Finance</b>											
Gross Expenditures	5,726.0	5,017.5	5,789.8	129.6	5,919.5	193.5	3.4%	136.0	2.3%	128.2	2.1%
Revenue	4,009.7	3,524.1	4,073.6	129.6	4,203.2	193.5	4.8%	0.0		0.0	
<b>Net Expenditures</b>	<b>1,716.3</b>	<b>1,493.4</b>	<b>1,716.3</b>	<b>(0.0)</b>	<b>1,716.3</b>	<b>(0.0)</b>	<b>(0.0%)</b>	<b>136.0</b>	<b>7.9%</b>	<b>128.2</b>	<b>6.9%</b>
<b>Financial Planning</b>											
Gross Expenditures	8,801.1	7,230.5	8,821.7	0.0	8,821.7	20.6	0.2%	246.9	2.8%	265.8	2.9%
Revenue	3,088.9	2,422.6	3,109.4	0.0	3,109.4	20.6	0.7%	(3.9)	(0.1%)	(4.5)	(0.1%)
<b>Net Expenditures</b>	<b>5,712.3</b>	<b>4,807.9</b>	<b>5,712.3</b>	<b>0.0</b>	<b>5,712.3</b>	<b>0.0</b>	<b>0.0%</b>	<b>250.9</b>	<b>4.4%</b>	<b>270.3</b>	<b>4.5%</b>
<b>Total</b>											
Gross Expenditures	16,969.2	14,773.3	17,078.6	129.6	17,208.2	239.1	1.4%	442.2	2.6%	457.6	2.6%
Revenue	7,185.9	6,059.8	7,295.3	129.6	7,425.0	239.1	3.3%	(3.9)	(0.1%)	(4.5)	(0.1%)
<b>Total Net Expenditure</b>	<b>9,783.3</b>	<b>8,713.5</b>	<b>9,783.3</b>	<b>(0.0)</b>	<b>9,783.3</b>	<b>0.0</b>	<b>0.0%</b>	<b>446.1</b>	<b>4.6%</b>	<b>462.2</b>	<b>4.5%</b>
<b>Approved Positions</b>	<b>118.0</b>	<b>104.0</b>	<b>118.0</b>	<b>1.0</b>	<b>119.0</b>	<b>1.0</b>	<b>0.8%</b>	<b>(0.0)</b>	<b>(0.0%)</b>	<b>0.0</b>	

The Office of the Chief Financial Officer's 2018 Preliminary Operating Budget is \$17.208 million gross and \$9.783 million net, representing a 0% increase from 2017 Approved Net Operating Budget and is in line with the target of 0% as set out in the 2018 Operating Budget Directions approved by Council.

- Base pressures, mainly attributable to increases for staff salaries and benefits common across all services were mitigated by adjustment of salaries and benefits for actual workforce and corresponding recoveries from Rate Programs and corporate accounts for direct support to these functions.
- A new staff resource to support the newly established Investment Board will be fully funded from the Non-Program Budget for the new Investment Board.
- Approval of the 2018 Preliminary Operating Budget will result in Office of the Chief Financial Officer increasing its total staff complement by 1.0 position from 118.0 to 119.0 positions.
- The 2019 and 2020 Plan increases are attributable to known inflationary cost increases for cost-of-living allowance (COLA), progression pay, step and fringe benefits across all services.

The following graph summarizes the operating budget pressures for the Office of the Chief Financial Officer. No additional actions were necessary to offset/reduce these pressures to meet the budget reduction target.

### Key Cost Drivers



**Table 2  
Key Cost Drivers**

(In \$000s)	2018 Base Operating Budget			Total	
	Finance & Administration	Corporate Finance	Financial Planning		
	\$	\$	\$	\$	Position
<b>Gross Expenditure Changes</b>					
<b>Prior Year Impacts</b>					
Annualization of 2017 position changes		30.3		30.3	
<b>Salaries and Benefits</b>					
COLA, Progression Pay & Step Increases	18.0	8.3	62.5	88.8	
Gapping (to maintain 2017 Approved level)	(0.5)	(0.3)	(3.0)	(3.8)	
Other Salary & Benefit Adjustments	2.9	(7.7)	(118.2)	(123.0)	
<b>Other Base Expenditure Changes</b>					
IDC changes	(20.4)	0.1		(20.3)	
Conversion of Financial Analyst to Sr. Financial Analyst		10.0		10.0	
<b>Total Gross Expenditure Changes</b>	<b>0.0</b>	<b>40.7</b>	<b>(58.7)</b>	<b>(18.0)</b>	
<b>Revenue Changes</b>					
<b>Base Revenue Changes</b>					
Loss of Recovery from Capital			(148.4)	(148.4)	
Increased Recovery from Insurance and DC Reserves		40.7		40.7	
Increased Recovery from Non-Program and Rate Programs			89.7	89.7	
<b>Total Revenue Changes</b>	<b>0.0</b>	<b>40.7</b>	<b>(58.7)</b>	<b>(18.0)</b>	
<b>Net Expenditure Changes</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	

Key cost drivers for the Office of the Chief Financial Officer are discussed below:

### Gross Expenditure Changes

- Prior Year Impacts:
  - The annualization of position changes in 2017 for Corporate Finance creates a pressure of \$0.030 million in 2018.
- Salaries and Benefits
  - Preliminary increases for staff salaries and benefits associated with a cost of living allowance, union step increases and non-union progression pay common across all services created a pressure of \$0.089 million which was more than offset by adjustments to salaries and benefits for actual workforce composition of \$0.123 million.
- Other Base Changes
  - Re-allocation of interdivisional charges for internal audit and conversion of a Financial Analyst to a Sr. Financial Analyst results in \$0.010 million in savings.

### Revenue Changes

- The loss of capital recovery for one permanent position previously assigned to capital project delivery creates a pressure of \$0.148 million net
- Increased recoveries from the Rate Programs and Non-Program amounts provides \$0.130 million to mitigate the above pressure.

No further actions were required to achieve the budget reduction target.

**Table 4**  
**2018 Preliminary New & Enhanced Service Priorities**

Description (\$000s)	New and Enhanced						Total New and Enhanced			Incremental Change			
	Finance & Administration		Corporate Finance		Financial Planning		\$		Position	2019 Plan		2020 Plan	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	#	Net	Pos.	Net	Pos.
<b>New Service Priorities</b>													
<b>Staff Initiated:</b>													
<i>Sr. Investment Analyst to support Investment Board</i>			129.6	(0.0)			129.6	(0.0)	1.0	0.6		3.4	
<b>Sub-Total Staff Initiated</b>			<b>129.6</b>	<b>(0.0)</b>			<b>129.6</b>	<b>(0.0)</b>	<b>1.0</b>	<b>0.6</b>		<b>3.4</b>	
<b>Total New Service Priorities</b>			129.6	(0.0)			129.6	(0.0)	1.0	0.6		3.4	
<b>Total New / Enhanced Services</b>			129.6	(0.0)			129.6	(0.0)	1.0	0.6		3.4	

### New Service Priorities (\$0.130 million gross & \$0.0 million net)

#### *Sr. Investment Analyst to support Investment Board*

- At its meeting on March 28, 2017, City Council adopted EX23.2 "Establishment of an Investment Board", <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX23.2>.
- One permanent position is required to support the newly established Investment Board, to respond to various requests for reports and other material and ensure operation in an efficient and transparent manner. This position will be fully funded by a recovery from Non-Program Revenue – Investment/Interest Income.

Approval of the 2018 Preliminary Operating Budget for the Office of the Chief Financial Officer will result in a 2019 incremental net cost of \$0.446 million and a 2020 incremental net cost of \$0.462 million to maintain the 2018 service levels, as discussed in the following section.

**Table 5**  
**2019 and 2020 Plan by Program**

Description (\$000s)	2019 - Incremental Increase					2020 - Incremental Increase				
	Gross Expense	Revenue	Net Expense	% Change	Position	Gross Expense	Revenue	Net Expense	% Change	Position
<b>Known Impacts:</b>										
<b>Prior Year Impact</b>										
Annualization of Position Changes	5.7		5.7			(5.6)		(5.6)		
Annualization of Investment Board Support	0.6		0.6			3.4		3.4		
<b>Salaries and Benefits</b>										
COLA, Progression Pay & Step	435.8		435.8			459.7		459.7		
<b>Other Base Changes (specify)</b>										
IDC changes	0.1		0.1			0.1		0.1		
<b>Revenue (specify)</b>										
Loss of Recovery from Capital		(3.9)	3.9				(4.5)	4.5		
<b>Sub-Total</b>	<b>442.2</b>	<b>(3.9)</b>	<b>446.1</b>	<b>4.6%</b>		<b>457.6</b>	<b>(4.5)</b>	<b>462.2</b>	<b>4.5%</b>	
<b>Total Incremental Impact</b>	<b>442.2</b>	<b>(3.9)</b>	<b>446.1</b>	<b>4.6%</b>		<b>457.6</b>	<b>(4.5)</b>	<b>462.2</b>	<b>4.5%</b>	

Future year incremental costs are primarily attributable to the following:

#### **Known Impacts:**

- Annualization of position changes included in the 2018 Preliminary Operating Budget will increase salaries and benefits by \$0.006 million in 2019 and \$(0.006) million in 2020.
- The additional position to support the Investment Board will increase gross expenditures by \$0.001 million and \$0.003 million in 2019 and 2020 respectively.
- The 2019 and 2020 Plan increases reflect future year net incremental costs for salaries, progression pay and step increases of \$0.436 million in 2019 and \$0.460 million in 2020.
- Interdivisional charges, specifically for geographic information system software (ESRI) licenses, will increase by \$0.001 in each of 2019 and 2020.
- The loss of recovery from capital for the position currently working in FPARS will result in incremental net pressure of \$0.004 million and \$0.005 million in 2019 and 2020 respectively.



# Part 2

## 2018 Preliminary Operating Budget by Service

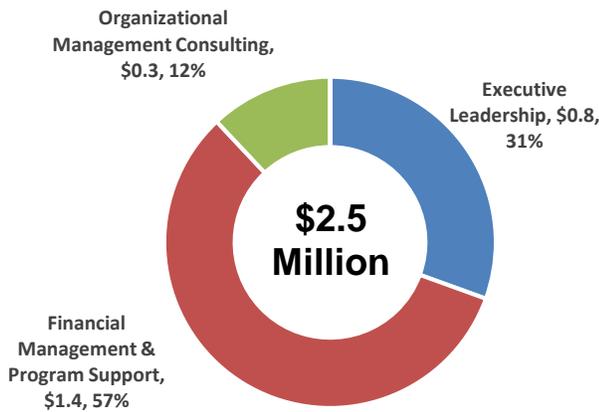
**Finance & Administration**

**What We Do**



- Provide support to Financial Services Divisions in developing, analyzing and managing the operating and capital budgets, monitoring expenditures and revenues and financial reporting.
- Provide front line accounting, payroll, procurement and other administrative services as well as complement management support and monitoring policy compliance.
- Provide management and organizational expertise and advice and work with Financial Services Divisions on continuous improvement projects including program reviews, service improvement initiatives and organizational change.
- Provide leadership and establish goals and objectives for Financial Services Divisions to advance key strategic directions.

**2018 Service Budget by Activity (\$Ms)**



**2018 Service by Funding Source (\$Ms)**



## 2018 Service Levels Finance & Administration

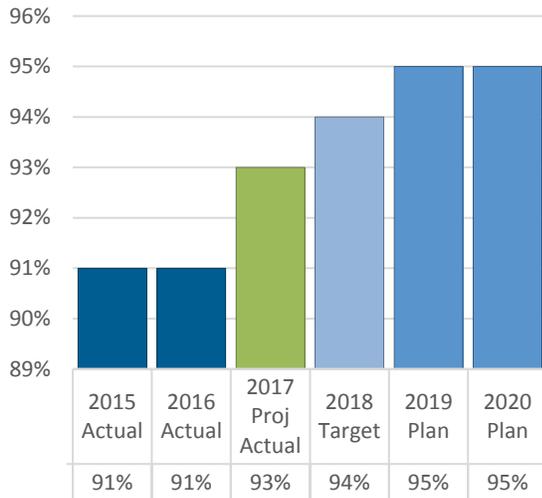
Activity	Type	Sub-Type	Status	2015	2016	2017	2018
Executive Leadership			Approved				
Financial Management & Control	Capital & Operating	Capital Budget	Approved	Capital Budget and 10 Year Plan of Capital Works prepared annually			Capital Budget and 10 Year Plan of Capital Works prepared annually
		Operating Budget	Approved	Operating Budget prepared annually			Operating Budget prepared annually
	Financial Control	Management Reports	Approved	Statistics Canada Report on Capital Expenditures is prepared and submitted semi-annually			Statistics Canada Report on Capital Expenditures is prepared and submitted semi-annually
			Approved	Consultants' expenditure report prepared annually			Consultants' expenditure report prepared annually
			Approved	DPO Activity Report, Blanket Contracts, PO Compliance and Parked Document reports reviewed and distributed monthly			DPO Activity Report, Blanket Contracts, PO Compliance and Parked Document reports reviewed and distributed monthly
			Approved	Attendance Management Reports prepared and distributed monthly			Attendance Management Reports prepared and distributed monthly
		Variance Reports	Approved	Capital and Operating Variance Reports and Cluster Performance Statistics are prepared and consolidated quarterly			Capital and Operating Variance Reports and Cluster Performance Statistics are prepared and consolidated quarterly
		Financial Oversight	Approved	Accounts analysis and journal entries reviewed monthly			Accounts analysis and journal entries reviewed monthly
			Approved	Review and coordination of cluster signing authorities completed annually			Review and coordination of cluster signing authorities completed annually
	Payroll Reports	Approved	Additional Cost, Bank Balance and Labour Distribution and Overtime Reports prepared and distributed bi-weekly			Additional Cost, Bank Balance and Labour Distribution and Overtime Reports prepared and distributed bi-weekly	
	Program Support	Accounting	Approved	Cheque requisitions, goods receipt, new vendor accounts and petty cash reimbursements are processed within 3-5 business days of receipt			Cheque requisitions, goods receipt, new vendor accounts and petty cash reimbursements are processed within 3-5 business days of receipt
			Approved	Pcard transactions are reviewed and approved monthly			Pcard transactions are reviewed and approved monthly
		Purchasing	Approved	Contract release orders (CRO), divisional purchase orders (DPO), material stores requisitions are processed within 3-5 business days			Contract release orders (CRO), divisional purchase orders (DPO), material stores requisitions are processed within 3-5 business days
			Approved	Purchase requisitions and sole source documentation are processed within 5-10 business days			Purchase requisitions and sole source documentation are processed within 5-10 business days
			Approved	Corporate calls are managed within standards established by PMMD			Corporate calls are managed within standards established by PMMD
		Payroll	Approved	Time and attendance reporting and pay advice distribution are completed bi-weekly			Time and attendance reporting and pay advice distribution are completed bi-weekly
			Approved	Reimbursement of employee expenses are processed bi-weekly			Reimbursement of employee expenses are processed bi-weekly
			Approved	Benefit changes and employee payroll data updates are processed within 10 business days from date of notification			Benefit changes and employee payroll data updates are processed within 10 business days from date of notification

Activity	Type	Sub-Type	Status	2015	2016	2017	2018
Financial Management & Program Support (FA)	Program Support	Organizational Support	Approved	Organizational charts are revised as required		Organizational charts are revised as required	
			Approved	HR Organizational Management eRequests (HOMeR) are reviewed and processed within 10 business days of receipt		HR Organizational Management eRequests (HOMeR) are reviewed and processed within 10 business days of receipt	
			Approved	Staff requisition requests are reviewed and sent for CFO approval within 5-8 days of receipt		Staff requisition requests are reviewed and sent for CFO approval within 5-8 days of receipt	
			Approved	Cluster summary of Conferences/seminars is compiled annually for CFO's approval		Cluster summary of Conferences/seminars is compiled annually for CFO's approval	
Organizational Management Consulting			Approved	Project specific		Project specific	

Overall, the 2018 Service Levels are consistent with the approved 2017 Service Levels for Finance & Administration.

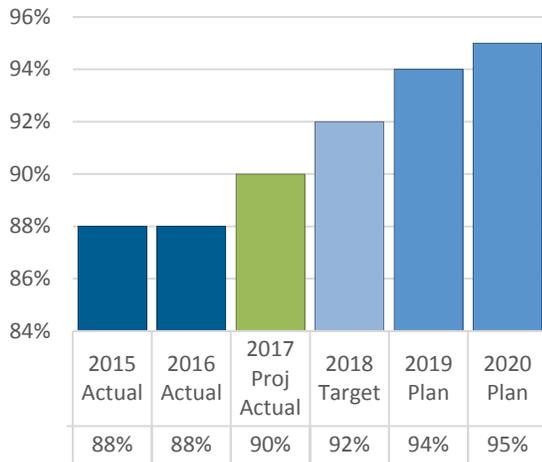
### Service Performance Measures

**% of Financial Analysis Reports Issued Within Set Timelines**



- Tracking of Actuals for issuance of Financial Analysis reports began in 2014 and has since been trending upwards.
- Finance & Administration is expecting to achieve 93% in 2017 and will strive for 94% in 2018 and 95% in Outlook years.

**% of Account  
Analyses/Reconciliations Completed  
Monthly**



- Tracking of Actuals for issuance of Financial Analysis reports began in 2014 and has since been trending upwards.
- Finance & Administration is expecting to achieve 90% in 2017 and will strive for 92% in 2018, 94% in 2019 and 95% in 2020.

**Table 6  
2018 Preliminary Service Budget by Activity**

(\$000s)	2017		2018 Preliminary Operating Budget						Incremental Change					
	Approved Budget	Base Budget	Service Changes	Preliminary Base	Prelim. Base Budget vs. 2017 Budget		New/Enhanced	Prelim Budget	2018 Prelim Budget vs. 2017 Budget		2019 Plan		2020 Plan	
					\$	%			\$	%	\$	%	\$	%
<b>GROSS EXP.</b>														
Financial Management & Program Support	1,439.8	1,418.3		1,418.3	(21.5)	(1.5%)		1,418.3	(21.5)	(1.5%)	32.2	2.3%	32.6	2.2%
Organizational Management Consulting	296.9	295.7		295.7	(1.2)	(0.4%)		295.7	(1.2)	(0.4%)	8.0	2.7%	9.2	3.0%
Executive Leadership	705.4	753.1		753.1	47.7	6.8%		753.1	47.7	6.8%	19.0	2.5%	21.9	2.8%
<b>Total Gross Exp.</b>	<b>2,442.1</b>	<b>2,467.1</b>		<b>2,467.1</b>	<b>25.0</b>	<b>1.0%</b>		<b>2,467.1</b>	<b>25.0</b>	<b>1.0%</b>	<b>59.2</b>	<b>2.4%</b>	<b>63.7</b>	<b>2.5%</b>
<b>REVENUE</b>														
Financial Management & Program Support						-				-		-		-
Organizational Management Consulting						-				-		-		-
Executive Leadership	87.3	112.3		112.3	25.0	28.6%		112.3	25.0	28.6%	0.0%			
<b>Total Revenues</b>	<b>87.3</b>	<b>112.3</b>		<b>112.3</b>	<b>25.0</b>	<b>28.6%</b>		<b>112.3</b>	<b>25.0</b>	<b>28.6%</b>	<b>0.0%</b>			
<b>NET EXP.</b>														
Financial Management & Program Support	1,439.8	1,418.3		1,418.3	(21.5)	(1.5%)		1,418.3	(21.5)	(1.5%)	32.2	2.3%	32.6	2.2%
Organizational Management Consulting	296.9	295.7		295.7	(1.2)	(0.4%)		295.7	(1.2)	(0.4%)	8.0	2.7%	9.2	3.0%
Executive Leadership	618.1	640.8		640.8	22.7	3.7%		640.8	22.7	3.7%	19.0	3.0%	21.9	3.3%
<b>Total Net Exp.</b>	<b>2,354.8</b>	<b>2,354.8</b>		<b>2,354.8</b>	<b>0.0</b>	<b>0.0%</b>		<b>2,354.8</b>	<b>0.0</b>	<b>0.0%</b>	<b>59.2</b>	<b>2.5%</b>	<b>63.7</b>	<b>2.6%</b>
<b>Approved Positions</b>	<b>17.0</b>	<b>17.0</b>		<b>17.0</b>	<b>(0.0)</b>	<b>(0.0%)</b>		<b>17.0</b>	<b>(0.0)</b>	<b>(0.0%)</b>	<b>0.0</b>	<b>0.0%</b>	<b>0.0</b>	<b>0.0%</b>

The **Finance & Administration** Service provides Financial Management and Program Support and Organizational Management Consulting to Financial Services divisions so that they can focus on the strategic financial management of the City.

Finance & Administration's 2018 Preliminary Operating Budget of \$2.467 million gross and \$2.355 million net is at the 2017 Approved Net Budget.

- Base budget pressures are primarily attributable to salary and benefit adjustments common across all services.

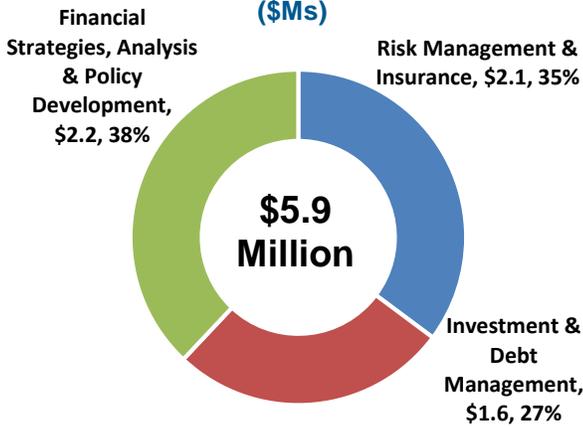
### Corporate Finance



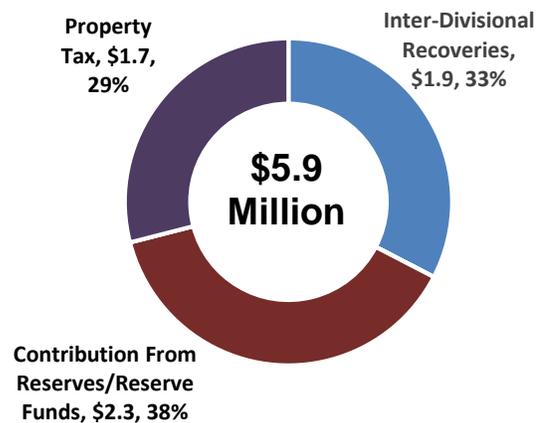
### What We Do

- Provide proactive insurance, risk and claims management to protect the general public, employees, and City's physical and financial assets by reducing risk in the most efficient and cost-effective manner through the use of risk financing and control techniques and the application of sound claims management practices.
- Proactively manage the City's investment and debt to ensure the safety of principal, availability of funds when needed and to maximize rates of return and minimize the cost of debt.
- Protect and enhance the City's financial interests by providing strategic business and financial advice and negotiation services affecting major corporate policies, programs and initiatives, public-private partnerships, intergovernmental financial relationship, strategies and financing
- Develop policies and strategies relating to revenue and financing tools and reserves and reserve fund management.

**2018 Service Budget by Activity (\$Ms)**



**2018 Service by Funding Source (\$Ms)**



## 2018 Service Levels Corporate Finance

### Risk Management and Insurance 2018 Service Level by Activity

Activity	Type	Status	2015	2016	2017	2018
Claims Management	Claims Management – General Liability	Approved	Claimants acknowledged upon receipt by City Clerk's Office via return email or Canada Post. City divisions return claim reports to adjuster within 30 days of receipt of request. Claim resolution timing is variable			Claimants acknowledged upon receipt by City Clerk's Office via return email or Canada Post. City divisions return claim reports to adjuster within 30 days of receipt of request. Claim resolution timing is variable
	Claims Management – Other Coverage	Approved	Claimants acknowledged upon receipt by City Clerk's Office via return email or Canada Post. City divisions return claim reports to adjuster within 30 days of receipt of request. Claim resolution timing is variable			Claimants acknowledged upon receipt by City Clerk's Office via return email or Canada Post. City divisions return claim reports to adjuster within 30 days of receipt of request. Claim resolution timing is variable
Insurance and Risk Management	Insurance ~ Risk Financing – insurance policies, self insured funding	Approved	Coverage through external insurers is contracted annually and supplements internally funded levels. Deductible levels are approved by City Council and the upside limit of policy coverages are secured through the insurance markets and approved by Council			Coverage through external insurers is contracted annually and supplements internally funded levels. Deductible levels are approved by City Council and the upside limit of policy coverages are secured through the insurance markets and approved by Council
	Insurance ~ Insurance Consulting	Approved	In accordance with each contract being reviewed			In accordance with each contract being reviewed
	Insurance ~ Performance Bonds	Approved	In accordance with each issue being reviewed			In accordance with each issue being reviewed
	Risk Management ~ Consultation and Advice	Approved	In accordance with each issue being reviewed			In accordance with each issue being reviewed
	Risk Management ~ Strategies and Policies	Approved	In accordance with each issue being reviewed			In accordance with each issue being reviewed

**Investment and Debt Management  
2018 Service Level by Activity**

Activity	Type	Status	2015	2016	2017	2018
Investment Management	Money Market Funds	Approved	Available funds are invested in either the money market or bond funds based on management's assessment of the duration for which the investments should be held			Available funds are invested in either the money market or bond funds based on management's assessment of the duration for which the investments should be held
	Sinking Funds	Approved	Available funds are invested in either the money market or bond funds based on management's assessment of the duration for which the investments should be held			Available funds are invested in either the money market or bond funds based on management's assessment of the duration for which the investments should be held
	Bond Funds	Approved	Available funds are invested in either the money market or bond funds based on management's assessment of the duration for which the investments should be held			Available funds are invested in either the money market or bond funds based on management's assessment of the duration for which the investments should be held
	City Owned Subsidiaries	Approved	Shareholder oversight review of City Government Business Enterprises. Summaries of quarterly statements and subsidiary statements as available to CFO; Business Plans to CFO & CMO; Annual Financial Statements as attachment to CMO annual shareholder reports			Shareholder oversight review of City Government Business Enterprises. Summaries of quarterly statements and subsidiary statements as available to CFO; Business Plans to CFO & CMO; Annual Financial Statements as attachment to CMO annual shareholder reports
	Investment strategy for owned	Approved	Asset monetization strategy review			Asset monetization strategy review
Debt Management	Debentures	Approved	Interest rates and issuings spreads change on a daily basis based on capital market conditions. Credit ratings are generally assessed and issued once per year			Interest rates and issuings spreads change on a daily basis based on capital market conditions. Credit ratings are generally assessed and issued once per year
	Loans	Approved	none			none
	Third party loan or line of credit agreements executed	Approved	Provide corporate oversight			Provide corporate oversight
	Debt strategy for owned subsidiaries	Approved	Develop and get Council approval of dividend policies for Build Toronto and Toronto Port Lands Company			Develop and get Council approval of dividend policies for Build Toronto and Toronto Port Lands Company
	Credit Rating	Approved	Maintain existing credit ratings from the three credit rating agencies with the possibility of increasing the rating			Maintain existing credit ratings from the three credit rating agencies with the possibility of increasing the rating
	Investor Relations	Approved	Attend 3 investor conferences, give presentations and meet upon request with investors			Attend 4 investor conferences, give presentations and meet upon request with investors
	Third Party Obligations - Letters of Credit	Approved	In accordance with each security being reviewed			In accordance with each security being reviewed

**Financial Strategies, Analysis and Policy Development  
2018 Service Level by Activity**

Activity	Type	Sub-Type	Status	2015	2016	2017	2018
Financial and Business Analysis	Business Analysis ~ Major purchases and contract review	Cost sharing, fiscal arrangements	Approved	Comments provided within 48 hours for most documents. Each document is reviewed at the level of detail required based on its size and complexity. Turnaround times are generally established in consultation with the client divisions			Initial comments provided within 48 hours for most documents. Each document is reviewed at the level of detail required based on its size and complexity. Turnaround times are generally established in consultation with the client divisions
	Business Analysis ~ Revenue and economic competitiveness	Revenue sharing	Approved	Ongoing review of City's business competitiveness, including consideration of property taxes, water rates, and other fees and charges			Ongoing review of City's business competitiveness, including consideration of property taxes, water rates, and other fees and charges
	Business Analysis ~ RFP/RFQ evaluation		Approved	In accordance with each bid being reviewed			In accordance with each bid being reviewed
	Major City-Building Initiatives		Approved	Reports and presentations prepared in accordance with Council Committee deadlines and the timing of the budget process			Reports and presentations prepared in accordance with Council Committee deadlines and the timing of the budget process
	Public-Private partnerships		Approved	Lead/support P3 screening for applications for Federal P3 funding on time minimizing capital costs and optimizing Federal contributions	Lead/support P3 screening for Federal P3 funding on time minimizing capital costs and optimizing cost vs. risk, and Federal contributions potentially related to solid waste, transportation infrastructure		Lead/support P3 screening for major capital upon request and for Federal P3 funding on time minimizing capital costs and optimizing cost vs. risk, and Federal contributions potentially related to solid waste, transportation infrastructure, housing and water (including storm and sanitary systems)
	Asset Optimizing and Financing		Approved	Delivered within negotiated timelines 100% of Time			Delivered within negotiated timelines 100% of the time
	Real Estate/ Land Development Transactions		Approved	Responses are concluded as quickly as possible taking into consideration the nature of the request and time involved, along with the consideration of other priorities			Responses are concluded as quickly as possible taking into consideration the nature of the request and time involved, along with the consideration of other priorities
Advisory and Negotiation	Financial Advisory /Strategy ~ Long Term financial planning	Funding programs	Approved	Monitor and provide support for funding arrangements for social housing funding and transit	Monitor and provide support for funding arrangements for social housing funding and transit. Update the City's Long Term Financial Plan	Monitor and provide support for funding arrangements for social housing funding and transit.	Monitor and provide support for funding arrangements for social housing funding and transit. Lead identified aspects of the City's Long Term Financial Plan within City Manager's timelines
	Financial Advisory /Strategy ~ Project Management and Capital Financing		Approved	Analysis completed and reports prepared and signed by Committee deadline in accordance with budget process			Analysis completed and reports prepared and signed by Committee deadline in accordance with budget process
	Financial Advisory /Strategy ~ finance analysis and advice		Approved	Delivered within negotiated timelines 100% of Time			Delivered within negotiated timelines 100% of the time
	Financial Advisory/Strategy ~ Negotiating Intergovernmental financing agreements		Approved	Analysis completed and reports prepared and signed by Committee deadline in accordance with budget process			Analysis completed and reports prepared and signed by Committee deadline in accordance with budget process
	Financial Advisory/Strategy ~ Monitoring, compliance review and administration of intergovernmental funding agreements		Approved	Analysis completed and reports prepared and signed by Committee deadline in accordance with budget process			Analysis completed and reports prepared and signed by Committee deadline in accordance with budget process
	Financial Advisory/Strategy ~ Review of financial implications and opportunities re regulatory and legislative amendments		Approved	Monitor and provide support for influencing and adapting to legislative changes related to Build Toronto regulations, social housing funding and Metrolinx allocation of revenues			Monitor and provide support for influencing and adapting to legislative changes related to Build Toronto regulations, social housing funding and Metrolinx allocation of revenues

**Financial Strategies, Analysis and Policy Development  
2018 Service Level by Activity**

Activity	Type	Sub-Type	Status	2015	2016	2017	2018		
Financial Policy Development	Financial Policy ~ City of Toronto Act Taxes		Approved	Provide advice on regard to application of Part X tax authorities re bag fee, MLTT, and new Metrolinx/transit funding initiatives			Provide advice on regard to application of Part X tax authorities re bag fee, MLTT, and new Metrolinx/transit funding initiatives		
	Financial Policy ~ Municipal Land Transfer Tax		Approved	Monitor situation and provide support as required for Municipal Land Transfer Tax administration and policy changes			Monitor situation and provide support as required for Municipal Land Transfer Tax administration and policy changes		
	Financial Policy ~ Property tax	Service agreement negotiations	Approved	As required for each new reserve fund and in accordance with Committee schedules and deadlines			As required for each new reserve fund and in accordance with Committee schedules and deadlines		
	Financial Policy ~ Water rate	Investment financial oversight	Approved	Ongoing review of City's business competitiveness, including consideration of property taxes, water rates, and other fees and charges			Ongoing review of City's business competitiveness, including consideration of property taxes, water rates, and other fees and charges		
	Financial Policy ~ Capital financing	Right of way contributions	Approved	Reviews and recommendations provided in accordance with budget process guidelines 100% of the time		Meeting agenda closing deadlines 100% of the time	Meeting agenda closing deadlines 100% of the time		
	Financial Policy ~ Reserve Funding		Approved	Meeting agenda closing deadlines 100% of the time			Meeting agenda closing deadlines 100% of the time		
	Intergovernmental funding, cost allocation and legislative frameworks		Approved	Meeting agenda closing deadlines 100% of the time			Meeting agenda closing deadlines 100% of the time		
	Development Financing		Approved	Delivered within negotiated timelines 100% of the time			Meeting agenda closing deadlines 100% of the time. On-going discussion and negotiations with Province regarding legislative reform		
	Development Charge By-law	Background Study & By-law	Approved	Bring forward area specific background study and revised by-law for Scarborough transit and portlands area	Bring forward area specific background study and revised by-law for portlands area	Undertake DC Background Study Review process	Undertake DC Background Study Review process		
				Administration & Implementation	Delivered within negotiated timelines 100% of the time. On-going discussion and negotiations with Province regarding legislative reform			Delivered within negotiated timelines 100% of the time. On-going discussion and negotiations with Province regarding legislative reform	
				Capital Financing	Approved	Reviews and recommendations provided in accordance with budget process guidelines 100% of the time			Reviews and recommendations provided in accordance with budget process guidelines 100% of the time
				Reporting	Approved	Delivered within negotiated timelines 100% of the time			Delivered within negotiated timelines 100% of the time
Capital Financing Tools		Approved	Delivered within negotiated timelines 100% of the time			Delivered within negotiated timelines 100% of the time			

With one exception, the 2018 Service Levels are consistent with the approved 2017 Service Levels for Corporate Finance. The type "Financial Policy - Garbage Rate" has been removed in 2018 as Corporate Finance is no longer supporting Solid Waste Management on their rate setting.

### Service Performance Measures

**City of Toronto General Funds Investment Book Returns 2016**  
(millions)

Portfolio	Average Fund Balance	Earned Income	Earned Return on Capital*
Bond	\$ 2,946.7	\$ 109.9	3.7%
Money Market & Cash	\$ 2,128.9	\$ 20.5	1.0%
<b>Total General Funds</b>	<b>\$ 5,075.6</b>	<b>\$ 130.4</b>	<b>2.6%</b>

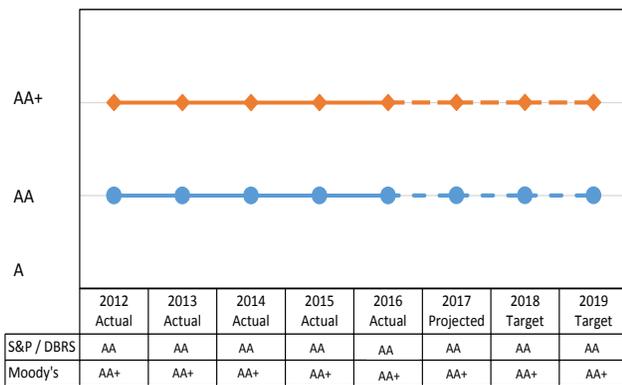
- Earned Return on Capital includes interest income and realized capital gain

**CGI, Auto & Property Insurance Claims - By Loss Date**  
2012 - 2016



- Since 2013 the number of insurance claims and total payments have been trending downward

**Credit Rating**



- The City's credit rating has remained stable due to Toronto's wealthy and diversified economy, low debt burden, very positive liquidity and positive financial management.

**Table 6**  
**2018 Preliminary Service Budget by Activity**

(\$000s)	2017		2018 Preliminary Operating Budget						2018 Prelim Budget vs. 2017 Budget		Incremental Change			
	Approved Budget	Base Budget	Service Changes	Preliminary Base	Prelim. Base Budget vs. 2017 Budget	% Change	New/Enhanced	Prelim Budget	\$	%	2019 Plan		2020 Plan	
	\$	\$	\$	\$	\$	%	\$	\$	\$	%	\$	%	\$	%
<b>GROSS EXP.</b>														
Risk Management & Insurance	2,099.2	2,083.2		2,083.2	(16.0)	(0.8%)		<b>2,083.2</b>	(16.0)	(0.8%)	49.8	2.4%	38.0	1.8%
Investment & Debt Management	1,446.5	1,458.7		1,458.7	12.2	0.8%	129.6	<b>1,588.4</b>	141.9	9.8%	25.4	1.6%	29.7	1.8%
Financial Strategies, Analysis & Policy Development	2,180.2	2,247.9		2,247.9	67.6	3.1%		<b>2,247.9</b>	67.6	3.1%	60.8	2.7%	60.5	2.6%
<b>Total Gross Exp.</b>	<b>5,726.0</b>	<b>5,789.8</b>		<b>5,789.8</b>	<b>63.8</b>	<b>1.1%</b>	<b>129.6</b>	<b>5,919.5</b>	<b>193.5</b>	<b>3.4%</b>	<b>136.0</b>	<b>2.3%</b>	<b>128.2</b>	<b>2.1%</b>
<b>REVENUE</b>														
Risk Management & Insurance	2,162.9	2,160.1		2,160.1	(2.8)	(0.1%)		<b>2,160.1</b>	(2.8)	(0.1%)		0.0%		
Investment & Debt Management	1,377.0	1,391.0		1,391.0	14.0	1.0%	129.6	<b>1,520.6</b>	143.6	10.4%		0.0%		
Financial Strategies, Analysis & Policy Development	469.8	522.5		522.5	52.6	11.2%		<b>522.5</b>	52.6	11.2%		0.0%		
<b>Total Revenues</b>	<b>4,009.7</b>	<b>4,073.6</b>		<b>4,073.6</b>	<b>63.8</b>	<b>1.6%</b>	<b>129.6</b>	<b>4,203.2</b>	<b>193.5</b>	<b>4.8%</b>		0.0%		
<b>NET EXP.</b>														
Risk Management & Insurance	(63.6)	(76.9)		(76.9)	(13.3)	20.8%		<b>(76.9)</b>	(13.3)	20.8%	49.8	-64.8%	38.0	(140.1%)
Investment & Debt Management	69.5	67.8		67.8	(1.8)	(2.5%)	(0.0)	<b>67.8</b>	(1.8)	(2.5%)	25.4	37.5%	29.7	31.9%
Financial Strategies, Analysis & Policy Development	1,710.4	1,725.4		1,725.4	15.0	0.9%		<b>1,725.4</b>	15.0	0.9%	60.8	3.5%	60.5	3.4%
<b>Total Net Exp.</b>	<b>1,716.3</b>	<b>1,716.3</b>		<b>1,716.3</b>	<b>(0.0)</b>	<b>(0.0%)</b>	<b>(0.0)</b>	<b>1,716.3</b>	<b>(0.0)</b>	<b>(0.0%)</b>	<b>136.0</b>	<b>7.9%</b>	<b>128.2</b>	<b>6.5%</b>
Approved Positions	38.0	38.0		38.0	(0.0)	(0.0%)	1.0	<b>39.0</b>	1.0	2.6%	(0.0)	0.0%	0.0	0.0%

**Corporate Finance** provides strategic, financial and risk management expertise to protect and improve the City of Toronto's financial position.

Corporate Finance's 2018 Preliminary Operating Budget of \$5.920 million gross and \$1.716 million net is at 2017 Approved Net Budget.

- Base budget pressures in Corporate Finance are primarily attributable to salary and benefit adjustments common across all services.
- The 2018 Preliminary Operating Budget includes funding of \$0.130 million gross and \$0 net fully funded from Non-Program Revenues – Investment/Interest Income to add 1.0 staff complement to support the newly established Investment Board.

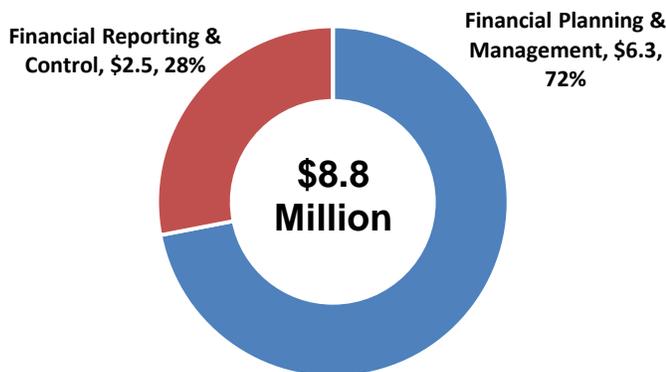
### Financial Planning



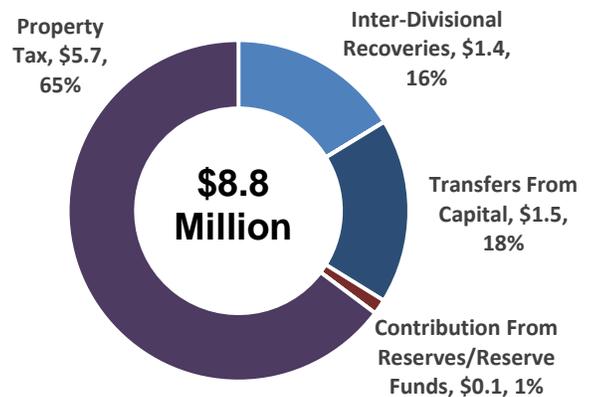
### What We Do

- Provide financial analysis, advice and decision support information to ensure the effective and efficient management of the City's financial resources and to facilitate allocation of scarce resources in order to optimize services and service levels that are needed by citizens of Toronto.
- Provide financial oversight on the City's operating and capital budgets in order to prevent avoidable deficits or significant variances from approved financial plans by producing financial reports for Council, its committees and senior staff on a quarterly and as required basis within specified timelines, 100% of the time.
- Manage the City's Budget process, providing financial strategies, due diligence and solution of service and financial issues, and information to educate and engage Council and the Public in the Budget process.
- Review all reports to Committee and Council for financial implications to ensure City Council has all financial information prior to its decision-making process.
- Establish financial planning and management policies and practices based on best and leading practices

**2018 Service Budget by Activity (\$Ms)**



**2018 Service by Funding Source (\$Ms)**



## 2018 Service Levels Financial Planning

### Financial Planning & Management 2018 Service Level by Activity

Activity	Type	Sub-Type	Service Level Description	Status	2015	2016	2017	2018
Budgeting	Operating	Analysis/ Recommendation provided	Balanced Operating Budget approved annually in accordance with Council's mandates	Approved	100%	100%	100%	100%
				Actual	100%	100%	100%	
		Decision Support	Released at least 24 hours for notes and 7 days for Reports, prior to council / committee meeting	Approved	100%	100%	100%	100%
				Actual	100%	100%	100%	
		Process Management	Guidelines-updated and released 6 weeks in advance of submission deadlines	Approved	100%	100%	100%	100%
				Actual	100%	100%	100%	
	Capital	Analysis/ Recommendation provided	A recommended Capital budget and plan, annually, in accordance with council's mandates	Approved	100%	100%	100%	100%
				Actual	100%	100%	100%	
		Decision Support	Released at least 24 hours for notes and 7 days for Reports, prior to council / committee meeting	Approved	100%	100%	100%	100%
				Actual	100%	100%	100%	
		Process Management	Guidelines-updated and released 6 weeks in advance of submission deadlines	Approved	100%	100%	100%	100%
				Actual	100%	100%	100%	
Financial Advice	Decision Support	Reports	Meeting agenda closing deadlines	Approved	100%	100%	100%	100%
				Actual	100%	100%	100%	
		Council Support	Meeting agenda closing deadlines	Approved	100%	100%	100%	100%
				Actual	100%	100%	100%	
		Initiatives	Meeting agenda closing deadlines	Approved	100%	100%	100%	100%
				Actual	100%	100%	100%	
	Issues Management	Responses released within prescribed timelines	Approved	100%	100%	100%	100%	
			Actual	100%	100%	100%		
	State of Financial Affairs	Issues Management	Responses released within prescribed timelines	Approved	100%	100%	100%	100%
				Actual	100%	100%	100%	
		Intergovernmental	Provided necessary information to support negotiated stance,	Approved	100%	100%	100%	100%
				Actual	100%	100%	100%	
		Stakeholder Relations (Media/ Council/ Public)	Responses released within prescribed timelines	Approved	100%	100%	100%	100%
				Actual	100%	100%	100%	
Financial Planning & Policy	Program/ Service Review	Analysis/Recomm endation/Decision Support	Analysis provided and Inquiries addressed within prescribed timelines	Approved	100%	100%	100%	100%
				Actual	100%	100%	100%	
		Process Management	Guidelines-updated and released 6 weeks in advance of submission deadlines	Approved	100%	100%	100%	100%
				Actual	100%	100%	100%	
	Policy Development and Review	Review policies once per year,	Approved	100%	100%	100%	100%	
			Actual	100%	100%	100%		

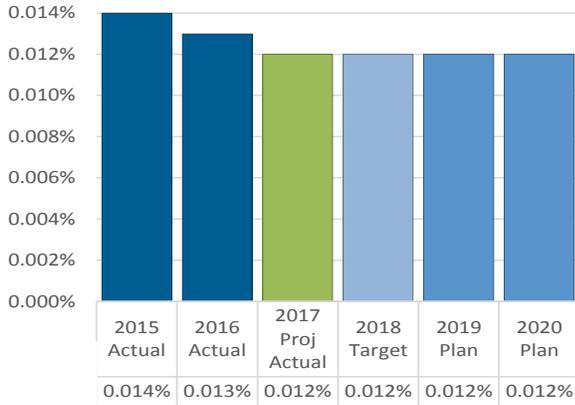
**Financial Reporting & Control**  
**2018 Service Level by Activity**

Type	Sub-Type	Service Level Description	Status	2015	2016	2017	2018
Budget Monitoring & Control	Operating - Variance	At the first scheduled Budget Committee meeting after 45 days of the reporting period closing	Approved	100%	100%	100%	100%
			Actual	100%	100%	100%	
	Capital - Variance	At the first scheduled Budget Committee meeting after 45 days of the reporting period closing	Approved	100%	100%	100%	100%
			Actual	100%	100%	100%	
	Ad hoc (request)	Responses released within prescribed timelines	Approved	100%	100%	100%	100%
			Actual	100%	100%	100%	
	Active Monitoring	Once per quarter	Approved	100%	100%	100%	100%
			Actual	100%	100%	100%	
	In-Year Adjustments	Operating/ Capital budget adjustment requests reviewed in advance of Agenda closing deadlines	Approved	100%	100%	100%	100%
			Actual	100%	100%	100%	
	Reports Drafted/Reviewd	Number of Reports and Notices of Motion Drafted or Reviewed	Approved	Number of Reports and NOM Drafted or Reviewed	Number of Reports and NOM Drafted or Reviewed	Number of Reports and NOM Drafted or Reviewed	Number of Reports and NOM Drafted or Reviewed
			Actual	1940	1721	1696 (as of Nov 2017)	
Complement Management Control		Reviewing submitted Human Resources Org. Mgtment eRequests for Financial Implications within 7 days	Approved	100%	100%	100%	100%
			Actual	100%	100%	100%	

Overall, the 2018 Service Levels are consistent with the approved 2017 Service Levels for Financial Planning

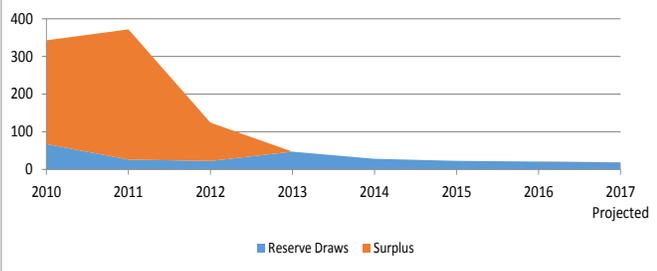
### Service Performance Measures

**FPD Budget as % of Total City Budget per Year**



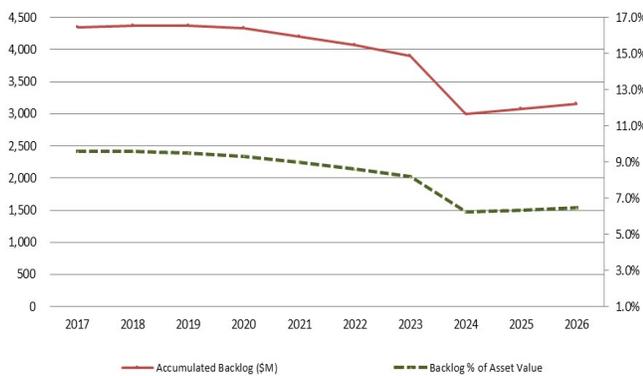
- Financial Planning's Budget as a percentage of the Total City Budget has trended downward and the division will strive to maintain or continue the trend demonstrating ongoing efficiency

**Surplus and One-time Reserves Used to Balance Operating Budget (\$Millions)**



- The City has made significant progress in reducing the use of prior year surplus and one-time reserve funds to balance the Operating Budget. The use of Non-Recurring Revenue Sources has been dramatically reduced from \$343.5 million in 2010 to \$18.4 million in 2017

**Impact of Capital Funding on the State of Good Repair**



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Asset Value	45,389	45,702	46,049	46,481	46,902	47,346	47,720	48,101	48,465	48,842
Accumulated Backlog Estimate (\$m)	4,345	4,376	4,377	4,331	4,205	4,076	3,905	3,005	3,082	3,155
Backlog % of Asset Value	9.6%	9.6%	9.5%	9.3%	9.0%	8.6%	8.2%	6.2%	6.4%	6.5%

- The primary Programs that have a SOGR backlog are:
  - Transportation Services,
  - Facilities, Real Estate, Environment and Energy (FREEE),
  - Toronto Transit Commission (TTC),
  - Toronto and Region Conservation Authority (TRCA),
  - Toronto Public Library (TPL), and
  - Parks, Forestry and Recreation (PFR)
 which together make up \$3.591 billion, or 92.7% of the \$4.262 billion SOGR backlog at the end of 2016.
- Over the 10-year period, these key Programs make up \$2.948 billion or 93.4% of the \$3.156 billion SOGR backlog by end of 2026
- Overall, estimates indicate that the current accumulated Tax Supported SOGR backlog will decrease from 9.6% of asset value at the end of 2017 to 6.5% of asset value in 2026. The decrease is mainly driven by investments in SOGR projects for Transportation Services TRCA, Park, Forestry & Recreation, and Other Programs.

**Table 6**  
**2018 Preliminary Service Budget by Activity**

	2017	2018 Preliminary Operating Budget						2018 Prelim Budget vs. 2017 Budget		Incremental Change				
	Approved Budget	Base Budget	Service Changes	Preliminary Base	Prelim. Base Budget vs. 2017 Budget	% Change	New/Enhanced	Prelim Budget	\$	%	2019 Plan	%	2020 Plan	%
(\$000s)	\$	\$	\$	\$	\$	%	\$	\$	\$	%	\$	%	\$	%
<b>GROSS EXP.</b>														
Financial Planning & Management	6,362.8	6,348.1		6,348.1	(14.6)	(0.2%)		6,348.1	(14.6)	(0.2%)	176.5	2.8%	191.8	2.9%
Financial Reporting & Control	2,438.4	2,473.6		2,473.6	35.2	1.4%		2,473.6	35.2	1.4%	70.4	2.8%	73.9	2.9%
<b>Total Gross Exp.</b>	<b>8,801.1</b>	<b>8,821.7</b>		<b>8,821.7</b>	<b>20.6</b>	<b>0.2%</b>		<b>8,821.7</b>	<b>20.6</b>	<b>0.2%</b>	<b>246.9</b>	<b>2.8%</b>	<b>265.8</b>	<b>2.8%</b>
<b>REVENUE</b>														
Financial Planning & Management	2,511.4	2,518.0		2,518.0	6.6	0.3%		2,518.0	6.6	0.3%	(3.3)	-0.1%	(3.9)	(0.2%)
Financial Reporting & Control	577.5	591.4		591.4	14.0	2.4%		591.4	14.0	2.4%	(0.6)	-0.1%	(0.7)	(0.1%)
<b>Total Revenues</b>	<b>3,088.9</b>	<b>3,109.4</b>		<b>3,109.4</b>	<b>20.6</b>	<b>0.7%</b>		<b>3,109.4</b>	<b>20.6</b>	<b>0.7%</b>	<b>(3.9)</b>	<b>-0.1%</b>	<b>(4.5)</b>	<b>(0.1%)</b>
<b>NET EXP.</b>														
Financial Planning & Management	3,851.4	3,830.1		3,830.1	(21.2)	(0.6%)		3,830.1	(21.2)	(0.6%)	179.9	4.7%	195.7	4.9%
Financial Reporting & Control	1,860.9	1,882.1		1,882.1	21.2	1.1%		1,882.1	21.2	1.1%	71.0	3.8%	74.6	3.8%
<b>Total Net Exp.</b>	<b>5,712.3</b>	<b>5,712.3</b>		<b>5,712.3</b>	<b>0.0</b>	<b>0.0%</b>		<b>5,712.3</b>	<b>0.0</b>	<b>0.0%</b>	<b>250.9</b>	<b>4.4%</b>	<b>270.3</b>	<b>4.3%</b>
<b>Approved Positions</b>	<b>63.0</b>	<b>63.0</b>		<b>63.0</b>	<b>0.0</b>	<b>0.0%</b>		<b>63.0</b>	<b>0.0</b>	<b>0.0%</b>	<b>0.0</b>	<b>0.0%</b>	<b>0.0</b>	<b>0.0%</b>

**Financial Planning** provides Corporate Financial Planning, Management, Reporting and Control services to achieve fiscal sustainability of the City in order to deliver public programs and services to the public.

Financial Planning's 2018 Preliminary Operating Budget of \$8.822 million gross and \$5.712 million net is at the 2017 Approved Net Budget.

- Base budget pressures in Financial Planning are primarily attributable to salary and benefit adjustments common across all services.



# Part 3

## Issues for Discussion

## Issues Impacting the 2018 Budget

### ***Review of the City's Financial Control By-law***

- The existing Financial Control By-law, Chapter 71 of the City of Toronto Municipal Code, has not been comprehensively reviewed since its adoption in 2000 after amalgamation. Pursuant to the subsection 71-20 of the Financial Control By-law, "the Chief Financial Officer shall undertake a comprehensive review of this chapter every five years".
- The existing By-law will be broadened to reflect the best practice in financial management and control based on four governing principles of Accountability, Transparency, Agility, and Control.
- Financial Planning Division and the Office of Treasurer began a detailed review of the existing By-law in 2015. A joint working group was established to perform all aspects of the review including stakeholder consultation, jurisdictional review, research, analysis and the formulation of options and proposals in developing a revised By-law which will provide the City with capacity to strengthen financial management and governance.
- The working group has completed a comprehensive stakeholder engagement process to solicit input from City Programs and Corporate Partners, to assess and identify issues, challenges and limitations of the existing By-law, focusing on the key changes in Phase 1. In Phase 2, the review will incorporate Long Term Financial Plan as well as key impact from other corporate initiatives.
- Based on this review, as part of Phase 1, certain areas will be revised to reflect current practices with the focus on:
  - Providing a principle-based framework for financial management and control;
  - Broadening the current By-law to include all aspects of financial management practices;
  - Providing clarity and ensuring consistency with current policies and practices regarding budget approval, expenditure management and control, in-year budget adjustments and reallocations, monitoring and reporting, commitments, and delegation of financial authorities;
  - Incorporating the Auditor General's recommendations for reporting on the status of major capital projects and the State of Good Repair (SOGR) impact for new capital projects;
  - Expanding financial reporting requirements in staff reports to Committees and City Council; and
  - Creating necessary alignment with the new Chapter 195, Purchasing By-law.
- Phase 2 review will further strengthen financial governance, planning, management and oversight to incorporate applicability of the By-law to City Agencies and Accountability Offices and implement recommendations regarding strengthened financial oversight that will arise from the City's Long Term Financial Plan report prepared by the City Manager in 2018.
- It is anticipated that the City Manager and the Chief Financial Officer will prepare a policy report which will present recommendations for changes and additions to the current By-law to strengthen and consolidate the provisions based on the outcome of the Phase 1 of the By-law's review for City Council's consideration and approval in 2018.

### ***Long-Term Financial Plan (LTFP)***

The City's Long Term Financial Plan is currently under development and will provide advice for a sustainable financial framework for municipal services and city-building investments, involving both expense and revenue measures.

A previous update on the development of the Plan was adopted by City Council at its meeting of December 13 and 14, 2016 through report entitled *EX20.1 City of Toronto Long-Term Financial Direction Update*.

- This report presented 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, a link to this report is provided below:  
<http://www.toronto.ca/legdocs/mmis/2016/ex/bgrd/backgroundfile-98744.pdf>
- As noted in the *City of Toronto Long-Term Financial Direction Update* report, the primary fiscal challenges that must be addressed include:
  - 2017 operating budget pressures and resolution of a balanced budget;
  - 2017 - 2026 capital plan and pressures;
  - Continued unfunded capital projects;
  - Improving performance of City assets; and
  - Long-term expense management, particularly with regard to City agencies; and Long-term revenue management.
- City Council requested the City Manager and Deputy City Manager & Chief Financial Officer to report on the following:
  1. A framework for the City's multi-year financial and budget process;
  2. Strategies and processes to strengthen the City's strategic decision-making and financial oversight that will:
    - a. Support Council in setting priorities and outcomes in order to deliver its strategic agenda;
    - b. Have a multi-year focus;
    - c. Integrate program planning for City services and the infrastructure delivered by City programs, through divisions and agencies, with the City's financial planning and budgeting to achieve the strategic allocation of resources to meet intended outcomes; and
    - d. Strengthen the City's financial management and oversight of City programs and agencies.
  3. A framework for a multi-year Expenditure Management Plan, which should include short-term and long-term strategies to deliver a business transformation program that:
    - a. Modernizes processes, improves productivity, embeds efficiencies to achieve excellence in service delivery and maximizes value for residents; and
    - b. Strategically manages assets to maximize their use in supporting service delivery.
  4. A multi-year revenue strategy that:
    - a. Examines ways the City can optimize revenue generation from existing and new sources;
    - b. Identifies implementation costs, timing, and the sustainability of revenue options;
    - c. Establishes principles to guide the selection of potential revenues; and
    - d. Establishes a framework for the further application of both existing and new revenues.
- Also, Council directed that the City Manager and the Chief Financial Officer undertake an asset optimization study, including consideration of how possible proceeds could be used to address the city's capital deficit through the City Building Fund and report back.
- A Long Term Financial Plan report from the City Manager and Chief Financial Officer is expected in early 2018 well in advance of the 2019 Budget process, and will bring forward recommendations to mature the City's governance and financial decision-making to implement more robust strategies in its next term.



# Appendices

## Appendix 1

### 2017 Service Performance

#### Key Service Accomplishments

In 2017, Office of the Chief Financial Officer accomplished the following:

#### Finance & Administration

- ✓ Coordinated the development of cluster 2018 Operating and Capital Budgets and 2019 - 2027 Capital Plans in accordance with divisional and cluster priorities, corporate debt targets and corporate guidelines and timelines
- ✓ Continued the implementation of the Excellence Toronto initiative in Financial Services to continue to build a culture of organizational excellence and systematically measure and continually improve in key organizational categories

#### Corporate Finance

- ✓ Provided project analysis, advisory, negotiation and research services for major corporate initiatives and multi-lateral projects – Toronto-York Spadina Subway Extension, SmartTrack, Waterfront Revitalization, Port Lands Acceleration Initiative, Scarborough Subway, Eglinton Crosstown, George Street Revitalization, St. Lawrence Market North, Toronto Community Housing, Financial Annual Report and Long-Term Financial Direction
- ✓ Recommended and obtained approval for procurement strategy for the Scarborough Subway Extension Project
- ✓ Led the City Manager input into the Federal Provincial Housing market strategy, consulting with Federal agencies & ministries, Ontario and BC government officials and City of Vancouver counterparts to help recommend related strategies and monitor and forecasted the impact of Provincial and Federal rule changes (Foreign Buyer Tax, Mortgage Rules, etc.)
- ✓ Implemented new MLTT rates to harmonize with the Provincial LTT and generated an expected \$77M increase in 2017 revenue
- ✓ Led City input into Provincial consultations for proposed regulations to exempt 2nd suites in new construction, in collaboration with City program staff and municipal peers, in an attempt to minimize the impact of what was estimated to be a potential \$40M annual erosion to the City's DC revenues
- ✓ Completed Development Charge (DC) background study and by-law review to replace expiring 2013 DC by-law. The result is expected to be a new by-law: eliminating or minimizing "phase-in" concessions, reducing exemptions for non-residential development, aligning rates with cap-ex plans and aspirations, with the expected outcome of increasing recoveries by \$100s of millions over the term of the by-law and improving capital budgeting practices
- ✓ Renewed the City's corporate insurance policies at a premium decrease of \$33,427 or 0.7% despite reporting a \$1.34B or 9.1% increase in property values to be insured
- ✓ Reported to Council to approve the formation of an Investment Board as required by the new Provincial Regulations and drafted a new Investment Policy

#### Financial Planning

- ✓ Provided leadership in the development of the City's Long Term Financial Plan and public consultation process
- ✓ Finalized Phase 1 of the Financial Control By-law Review that broadens the scope to include Financial Planning and Management policies and practices, is principle-based, updates for current practices and clarifies accountabilities
- ✓ Delivered the 2018 Budget process for the City's 2018 Tax & Rate Operating Budgets and 10-Year Capital Plans totalling \$42.4 billion.
- ✓ Coordinated and reviewed new Council-directed Budget information submission requirements including Transformation, Modernization and Innovation Plans & Benefits, Capital & Operating Cost of Council-adopted Policies, Plans & Strategies, and Service Level/Standard and Temporary Positions reviews.

## Appendix 2

### 2018 Preliminary Operating Budget by Expenditure Category Program Summary by Expenditure Category

Category of Expense (\$000's)	2015	2016	2017	2017	2018	2018 Change from		Plan	
	Actual	Actual	Budget	Projected	Preliminary	2017 Approved		2019	2020
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries And Benefits	14,368.5	14,461.6	16,089.4	13,760.5	16,338.7	249.4	1.5%	16,785.9	17,243.4
Materials & Supplies	32.5	25.2	37.1	38.6	37.6	0.5	1.3%	37.1	37.1
Equipment	25.7	1.9	6.7	10.7	11.2	4.5	66.7%	6.7	6.7
Service And Rent	554.3	594.7	670.3	784.3	675.3	5.0	0.7%	675.3	675.3
Contribution To Reserves/Reserve Funds	77.4	77.4	80.1	80.1	80.1			80.1	80.1
Other Expenditures	0.0	10.0	0.5	0.5	0.5			0.5	0.5
Inter-Divisional Charges	145.4	273.6	85.0	98.5	64.7	(20.3)	(23.9%)	64.8	64.8
<b>total Gross Expenditures</b>	<b>15,203.9</b>	<b>15,444.5</b>	<b>16,969.2</b>	<b>14,773.2</b>	<b>17,208.2</b>	<b>239.1</b>	<b>1.4%</b>	<b>17,650.5</b>	<b>18,108.1</b>
Inter-Divisional Recoveries	2,567.5	2,641.5	3,144.8	3,027.4	3,478.5	333.7	10.6%	3,478.5	3,478.5
Transfers From Capital	1,711.8	1,370.4	1,662.2	1,111.3	1,546.6	(115.6)	(7.0%)	1,542.6	1,538.1
Contribution From Reserves/Reserve Funds	1,926.0	2,105.5	2,378.9	1,855.3	2,399.9	21.0	0.9%	2,399.9	2,399.9
<b>total Revenues</b>	<b>6,253.9</b>	<b>6,185.3</b>	<b>7,185.9</b>	<b>6,059.8</b>	<b>7,425.0</b>	<b>239.1</b>	<b>3.3%</b>	<b>7,421.0</b>	<b>7,416.5</b>
<b>total Net Expenditures</b>	<b>8,950.0</b>	<b>9,259.2</b>	<b>9,783.3</b>	<b>8,713.4</b>	<b>9,783.3</b>	<b>0.0</b>	<b>0.0%</b>	<b>10,229.4</b>	<b>10,691.6</b>
<b>approved Positions</b>	<b>106.0</b>	<b>115.0</b>	<b>118.0</b>	<b>104.0</b>	<b>119.0</b>	<b>1.0</b>	<b>0.8%</b>	<b>119.0</b>	<b>119.0</b>

For additional information regarding the 2017 Q3 operating variances and year-end projections, please refer to the attached link for the report entitled "Operating Variance Report for the Nine-Month Period Ended September 30, 2017" considered by City Council at its meeting on December 6, 2017.

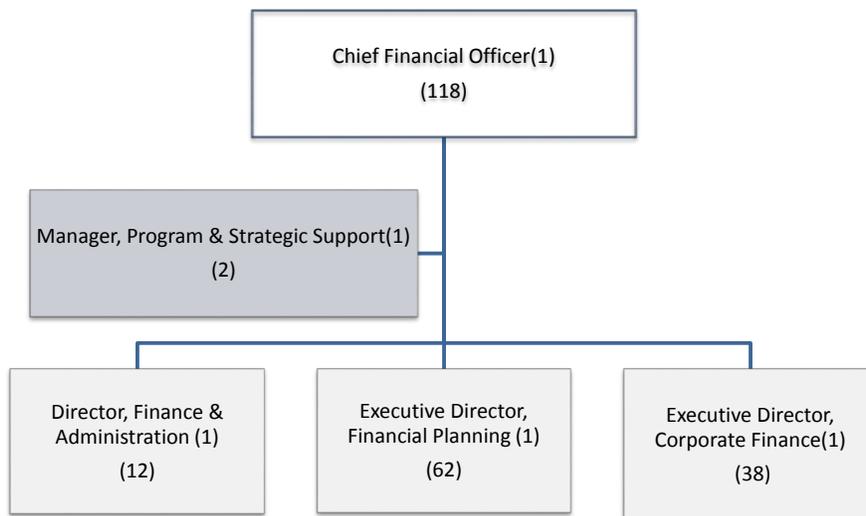
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.BU37.2>

### Impact of 2017 Operating Variance on the 2018 Preliminary Operating Budget

- As projected underspend in 2017 is driven by vacant positions and recruitment is underway to fill these vacancies, no impact is reflected in the 2018 Preliminary Operating Budget.

### Appendix 3

#### 2018 Organization Chart



#### 2018 Total Complement

	Category	Senior Management	Management with Direct Reports	Management without Direct Reports/Exempt Professional & Clerical	Union	Total
Operating	Permanent	4.0	17.0	71.0	16.0	108.0
	Temporary			0.0	-	0.0
	<b>Total Operating</b>	4.0	17.0	71.0	16.0	108.0
Capital	Permanent			0.0	-	0.0
	Temporary		1.0	10.0	-	11.0
	<b>Total Capital</b>	-	1.0	10.0	-	11.0
<b>Grand Total</b>		<b>4.0</b>	<b>18.0</b>	<b>81.0</b>	<b>16.0</b>	<b>119.0</b>

## **Appendix 5**

### **Summary of 2018 New / Enhanced Service Priorities**

## 2018 Operating Budget - Preliminary New and Enhanced Services Summary by Service (\$000's)

Form ID		Chief Financial Officer  Program - Office of the Chief Financial Officer	Adjustments				2019 Plan Net Change	2020 Plan Net Change
Category	Equity Impact		Gross Expenditure	Revenue	Net	Approved Positions		
14272		Sr. Investment Analyst to support Investment Board						
74	No Impact	<b>Description:</b>						
<p>A new position, Senior Investment Analyst, is being proposed that will have the main responsibility of supporting the Investment Board's activities such as, in conjunction with City Clerk's, the preparation of meeting agendas, fulfilling requests for information and reports and other duties that will be required by the Board. Funding for this position will be recovered from the Investment Board's Budget in Non Program.</p> <p><b>Service Level Impact:</b></p> <p>The Capital Markets Section does not currently have the resources to adequately support the Board who will be allowed to invest in new asset classes. This position, mainly to support the Board, will contribute to anticipated achievement of higher rates of return.</p> <p><b>Equity Statement:</b></p> <p>There are no equity impacts.</p> <p><b>Service:</b> CPF-Investment &amp; Debt Management</p>								
		Preliminary New / Enhanced Services:	129.6	129.6	(0.0)	1.00	0.6	3.4
		<b>Total Preliminary New / Enhanced Services:</b>	<b>129.6</b>	<b>129.6</b>	<b>(0.0)</b>	<b>1.00</b>	<b>0.6</b>	<b>3.4</b>
<hr/>								
<b>Summary:</b>								
		<b>Total Preliminary New / Enhanced Services:</b>	<b>129.6</b>	<b>129.6</b>	<b>(0.0)</b>	<b>1.00</b>	<b>0.6</b>	<b>3.4</b>

**Category:**

71 - Operating Impact of New Capital Projects  
72 - Enhanced Services-Service Expansion

74 - New Services  
75 - New Revenues

## Appendix 6

### Inflows/Outflows to/from Reserves & Reserve Funds

#### Program Specific Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2017 *	Rec'd Withdrawals (-) / Contributions (+)		
			2018	2019	2020
		\$	\$	\$	\$
<b>Projected Beginning Balance</b>			4,450.8	4,164.5	3,878.2
DC RF - Development Studies	XR2120				
<i>Proposed Withdrawals (-)</i>			(286.3)	(286.3)	(286.3)
<i>Contributions (+)</i>					
<b>Total Reserve / Reserve Fund Draws / Contributions</b>			<b>(286.3)</b>	<b>(286.3)</b>	<b>(286.3)</b>
<b>Balance at Year-End</b>		<b>4,450.8</b>	<b>4,164.5</b>	<b>3,878.2</b>	<b>3,591.9</b>

\* Based on 9-month 2017 Reserve Fund Variance Report

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2017 *	Rec'd Withdrawals (-) / Contributions (+)		
			2018	2019	2020
		\$	\$	\$	\$
<b>Projected Beginning Balance</b>			2,584.8	2,582.2	2,579.7
DC RF - Civic Improvements	XR2121				
<i>Proposed Withdrawals (-)</i>			(2.5)	(2.5)	(2.5)
<i>Contributions (+)</i>					
<b>Total Reserve / Reserve Fund Draws / Contributions</b>			<b>(2.5)</b>	<b>(2.5)</b>	<b>(2.5)</b>
<b>Balance at Year-End</b>		<b>2,584.8</b>	<b>2,582.2</b>	<b>2,579.7</b>	<b>2,577.2</b>

\* Based on 9-month 2017 Reserve Fund Variance Report

## Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2017 *	Rec'd Withdrawals (-) / Contributions (+)		
			2018	2019	2020
		\$	\$	\$	\$
<b>Projected Beginning Balance</b>			<b>25,981.1</b>	<b>24,076.9</b>	<b>22,172.7</b>
Insurance RF	XR1010				
<i>Proposed Withdrawals (-)</i>			(1,984.3)	(1,984.3)	(1,984.3)
<i>Contributions (+)</i>			80.1	80.1	80.1
<b>Total Reserve / Reserve Fund Draws / Contributions</b>			<b>(1,904.2)</b>	<b>(1,904.2)</b>	<b>(1,904.2)</b>
<b>Balance at Year-End</b>		<b>25,981.1</b>	<b>24,076.9</b>	<b>22,172.7</b>	<b>20,268.5</b>

\* Based on 9-month 2017 Reserve Fund Variance Report

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2017 *	Rec'd Withdrawals (-) / Contributions (+)		
			2018	2019	2020
		\$	\$	\$	\$
<b>Projected Beginning Balance</b>			<b>169,722.2</b>	<b>169,595.4</b>	<b>169,468.7</b>
Section 37 RF	XR3026				
<i>Proposed Withdrawals (-)</i>			(126.7)	(126.7)	(126.7)
<i>Contributions (+)</i>					
<b>Total Reserve / Reserve Fund Draws / Contributions</b>			<b>(126.7)</b>	<b>(126.7)</b>	<b>(126.7)</b>
<b>Balance at Year-End</b>		<b>169,722.2</b>	<b>169,595.4</b>	<b>169,468.7</b>	<b>169,341.9</b>

\* Based on 9-month 2017 Reserve Fund Variance Report