

RE: EX32.1

Long-Term Financial Plan: The City of Toronto's Roadmap to Financial Sustainability

Presentation to Executive Committee – March 19, 2018

► Toronto's success and challenges

- Toronto experiencing extraordinary success
 - . *Top of international rankings*
 - . *Sustained investment, economic and population growth*
 - . *Financial services and real estate drivers*
- As with other global cities, success is associated with significant challenges
 - . *Traffic congestion and transit expansion*
 - . *Housing affordability*
 - . *Poverty and social displacement*
 - . *Environmental pressure*

➤ City Council direction

1

Maintain affordability

- . *Keep costs in check, annual targets*
- . *Windfall MLTT revenue used to moderate property tax increases*

2

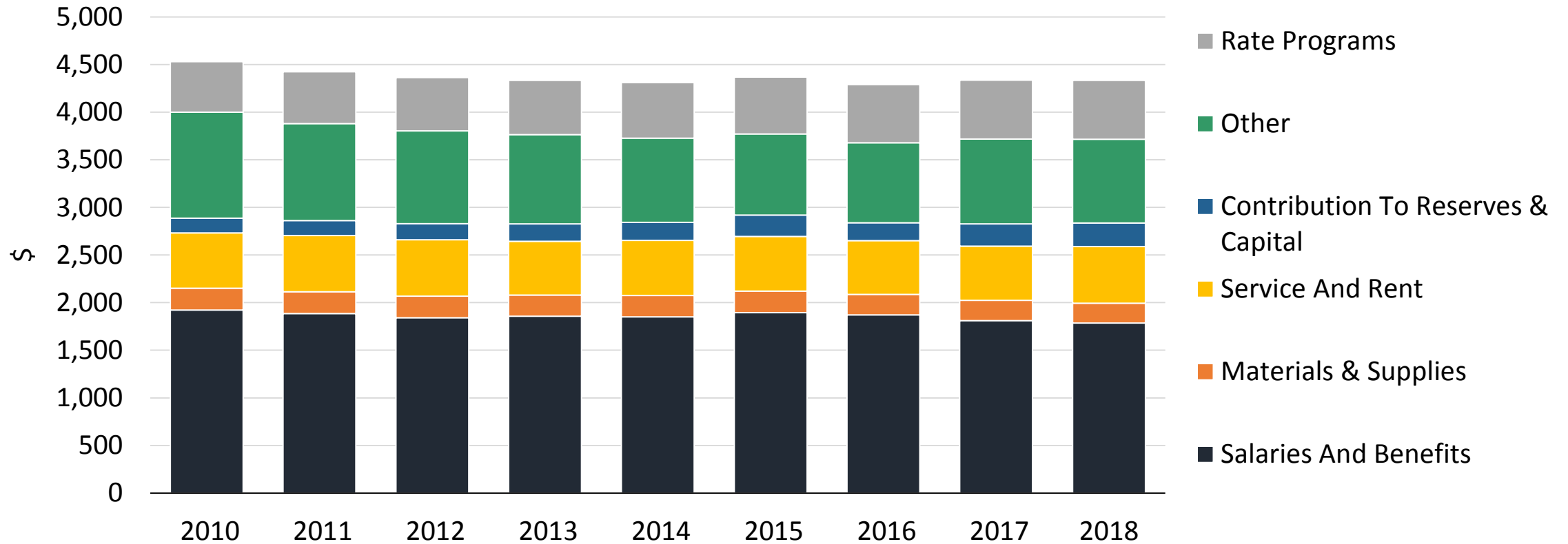
Positive, proactive strategies

- . *Benefit to Toronto: Solid waste, police, parks and ravines & other local benefits*
- . *Benefit to the region and province: transportation and transit network expansion, poverty reduction, housing, climate action & other regional benefits*



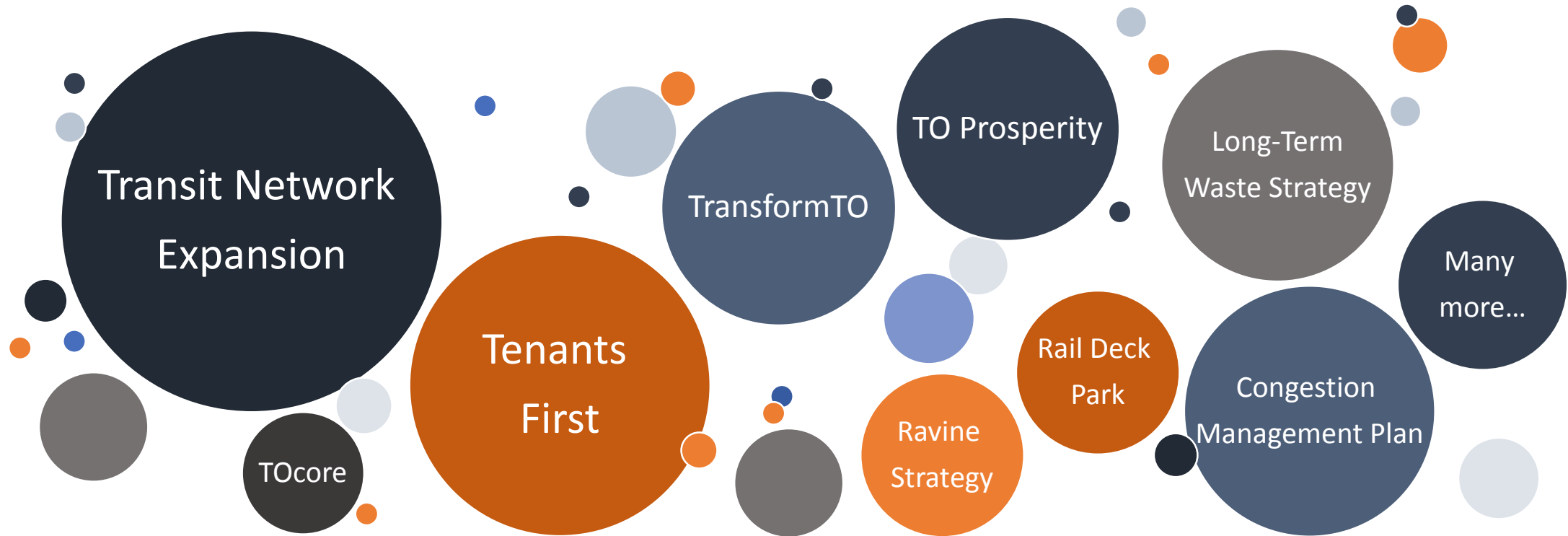
Annual cost control

Expense history - Real per capita



➤ The City of Toronto's vision

- Previous years of underinvestment are being reversed. Council has committed to investing in Toronto's future.



➤ Intergovernmental strategy

- Asks of the Province in 2017
 - . *City Council adopted 139 requests of the provincial government*
 - . *The City sent 56 pieces of correspondence to the Province*
- Investment in Toronto is strongly driven by external funding. Effectively, key service level increases in 2018 are being supported by:
 - . *Provincial gas tax*
 - . *Provincial childcare funding*
 - . *Expectation of future federal funding for transit*

➤ Key challenges to delivering on City Council directions

Moderate but growing risk, notably revenue volatility

- . *Municipal Land Transfer Tax*
- . *Impact on current service levels*

Gap between service commitments and revenue

- . *Growing gap between spending and Council directions for increased service levels*

Modernization and transformation

- . *Needed to achieve efficiencies and savings*

Intergovernmental transfers

- . *City pays a disproportionate share of costs for services that provide region- and province-wide benefit*
- . *Uncertain intergovernmental relationships going forward*

➤ Getting the big things right

- Better policy and fiscal integration
 - . *Link multi-year expenditure and revenue plans*
- Better management through City Council
 - . *Better information to empower strategic, integrated, multi-year decisions*
 - . *Real savings and efficiencies – focus on value for money, modernization and key cost drivers*
 - . *Revenue commensurate with Council directed investments*
- More strategic relationship with the Province
 - . *Strategic approach based on Council priorities*

➤ Timing and implementing change

The new term
of Council

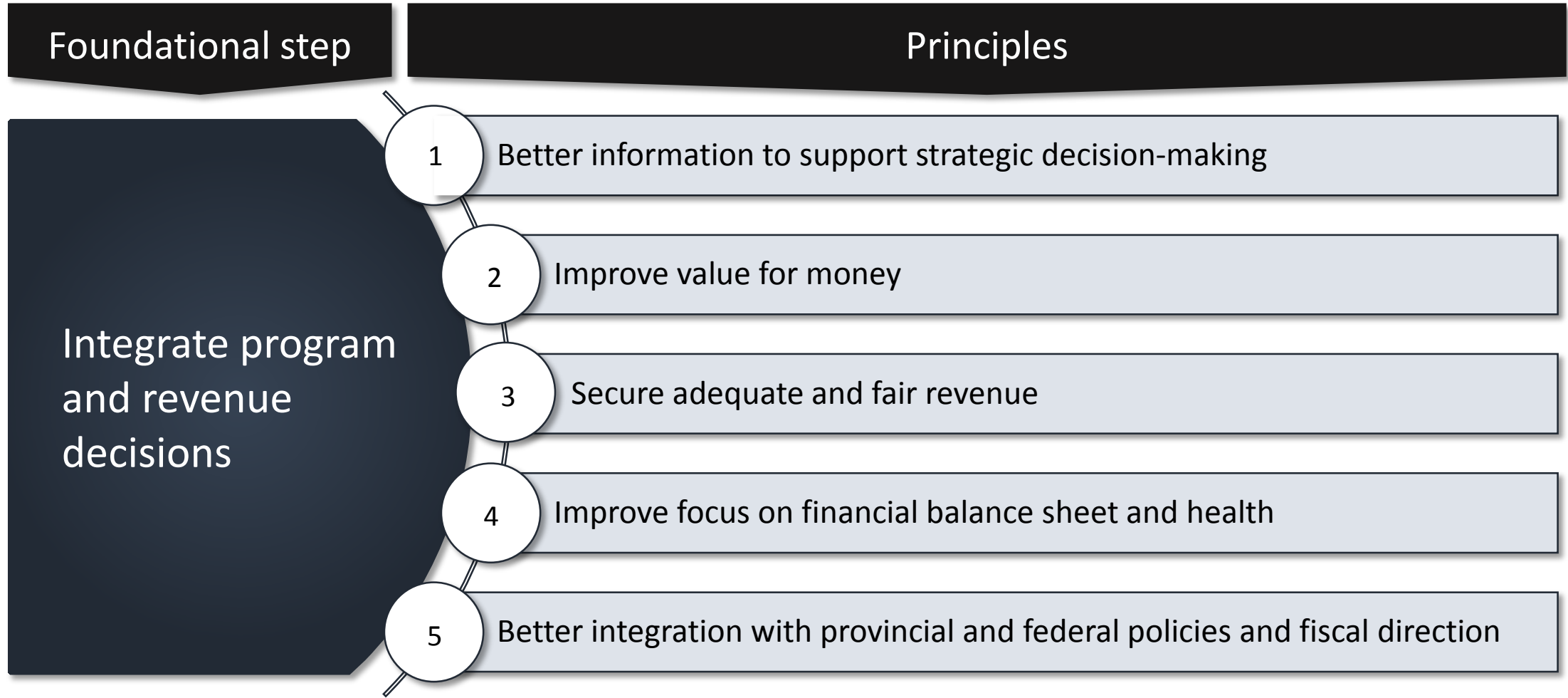
Opportunity to
implement a
framework and key
actions to:

- Address Toronto's financial challenges
- Support Council in getting the big things right

Achieving the goals and strategies of the Long-Term Financial Plan will require the continued talent and dedication of the Toronto Public Service, agency and corporation staff.



Long-term financial decision-making framework



➤ Foundational step: Integrate program and revenue decisions

“The Mayor should deliver an annual Mayor’s Address to Council in early Spring that lays out his or her strategic priorities and public commitments for the coming year and remaining term of Council.”

– *A Practical Blueprint for Change: Final Report from the City Hall Task Force (2017). School of Public Policy and Governance, University of Toronto.*

➤ Three future policy paths – Illustrating choice

	A	B	C
	Focus on services to property	Maintain existing service levels	Broader city building
Impact on service	<ul style="list-style-type: none"> - Decrease service levels to meet available tax room - Will require stepping away from some service areas 	<ul style="list-style-type: none"> - Adjust spending to pay for existing service levels - Limited expansion of broader investments 	<ul style="list-style-type: none"> - Increase spending to pay for existing service levels, deferred costs, and Council approved strategies and plans
Impact on revenue	<ul style="list-style-type: none"> - Smaller footprint 	<ul style="list-style-type: none"> - Modest increase to revenue to meet existing service levels, manage risk 	<ul style="list-style-type: none"> - Increase revenue to meet unfunded Council commitments
Illustrative forecast	Cumulative expenditure reduction of \$900 million over five years	Cumulative revenue increase and expenditure management of \$900 million over five years	Cumulative revenue increase and expenditure management of \$1.4 billion over five years



Principle 1: Better inform support strategic decision-making

Council would benefit from better information and improved opportunities related to:

Strategic approach and perspectives

Policy and financial process integration

Operating budget process

Capital budget process

Civic engagement



Principle 2: Improve value for money

Future savings and efficiencies will require increased investments in modernization and transformation, and a focus on key cost drivers.

Manage human resourcing and staffing costs

Transform procurement

Address longer-term agency and corporation certainty (especially TTC and TCHC)

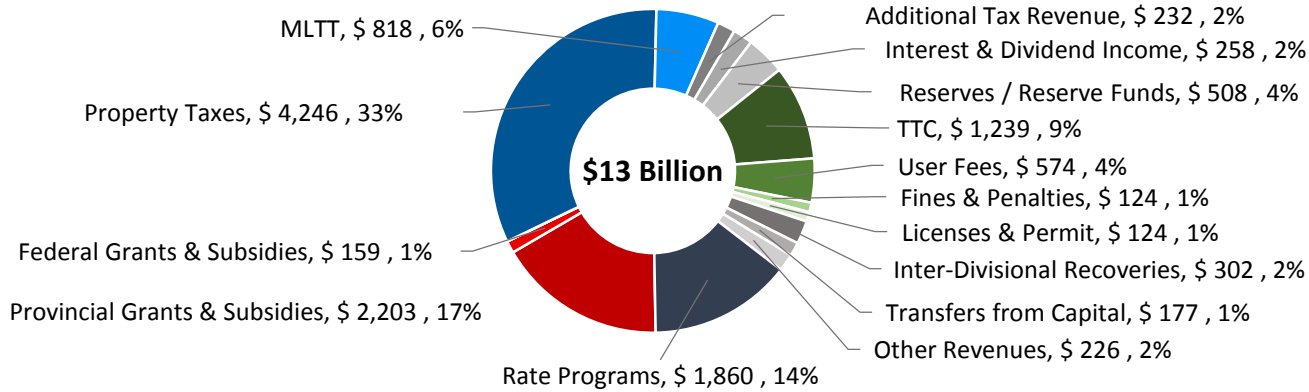
Modernize government

Address capital financing and funding costs

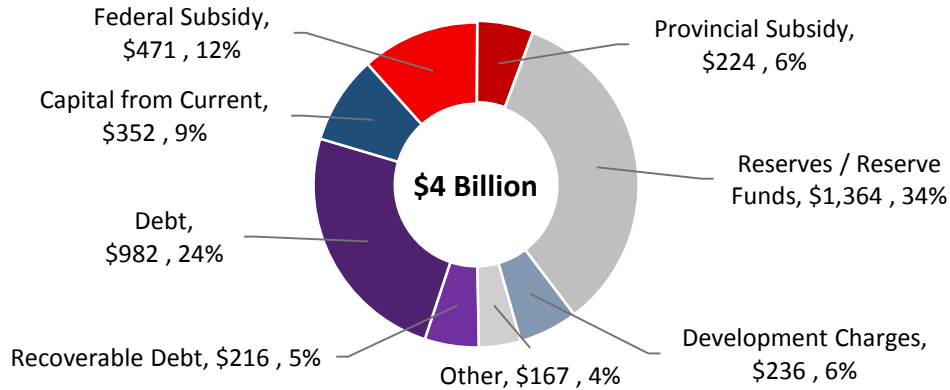


Principle 3: Secure adequate and fair revenue

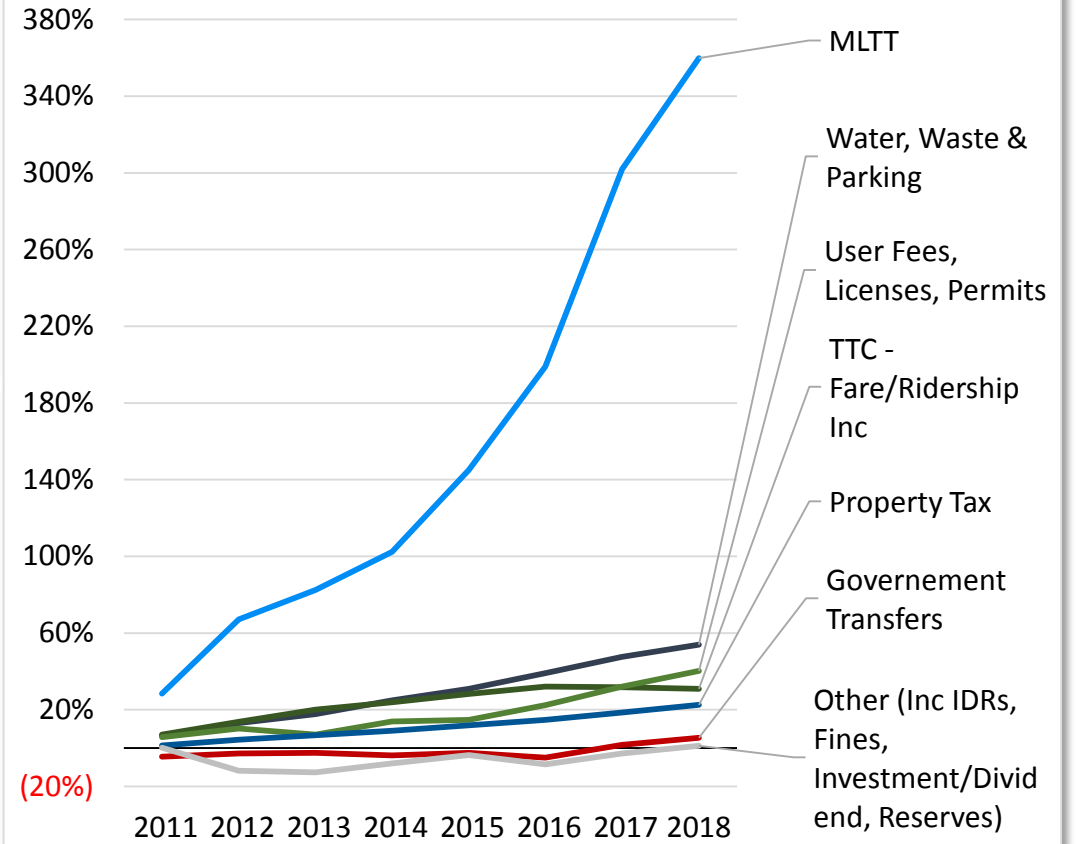
2018 Tax- and Rate-Supported Operating Revenues (\$M)



2018 Tax- and Rate-Supported Capital Revenues (\$M)



Operating revenue history - Nominal (cumulative % increase)





Principle 3: Secure adequate and fair revenue

Integrate the City's revenue and expenditure strategies.

Consider opportunities to improve revenue adequacy, fairness and efficiency.

Residential property tax

Municipal Land Transfer Tax

User fees

Land development levies

Tax and fee discounts, waivers, rebates, deferrals and exemptions

Opportunities to broaden the tax base



Principle 4: Balance sheet and financial health

Council would be better served by focusing on and taking concerted actions related to the City's financial balance sheet and health.

Debt service ratio

Adequacy of reserves and reserve funds

Set and report annually on financial health metrics

Explore improving revenue performance of the City's assets and liabilities



Principle 5: Better integration with provincial and federal policies and fiscal direction

Toronto's services benefit the region and province. The City plays a critical role in achieving the policy goals of Ontario and Canada.

Council should strategically improve integration and alignment between complementary policy areas.

Continue to pursue shared policy outcomes with the Governments of Ontario and Canada

Develop a strategic intergovernmental approach based on Council priorities

Address the needs of Ontario and Canada for incremental, additional City contributions

Thank you

Especially:

- Deputy City Managers
- Chief Financial Officer
- Outside advisors
- The public who participated in the consultation and have been engaged in this important topic