
2019 OPERATING BUDGET BRIEFING NOTE

Proposed Resolution to Augment City of Toronto Operating Levy Funding of Toronto and Region Conservation Authority

Issue:

- At its meeting on February 4, 2019, Budget Committee adopted a motion requesting TRCA to provide a Briefing Note "*Outlining the costs of addressing the funding imbalance between municipalities over three years.*"

Background:

- Under the *Conservation Authorities Act*, Toronto and Region Conservation Authority (TRCA) has the authority to impose a levy on its partner municipalities for their proportion of its operating costs. The exact value is determined based on a Current Value Assessment (CVA) formula which uses property assessments to calculate the distribution of the levy.
- As shown in Table 1 below, the City of Toronto is the municipality within TRCA's jurisdiction which has the highest proportion of overall assessment, responsible for paying 64.30% of the total CVA levy.

Table 1: Ratio among Funding Municipalities to the Overall TRCA Property Tax Assessment Base

Partner Municipality	2019 Total CVA Levy (\$)	% of CVA
Adjala-Tosrontio	885	0.01
Durham	388,732	2.81
Toronto	8,904,221	64.30
Mono	1,144	0.01
Peel	1,541,082	11.13
York	3,012,643	21.75
Total	13,848,707	100.00

- Due to budgetary constraints, the City of Toronto has been challenged to increase its payments in proportion to the other partner municipalities in recent years. TRCA characterizes municipal levy payments in excess of the proportionate CVA calculation as

“non-CVA levy” in its budget documents. Since 2011, the non-CVA levy has grown from \$21,700 to \$643,164 in 2019, funded by the regions of Durham, Peel and York, as illustrated in Table 2:

Table 2: TRCA 2019 Operating Levy versus 2018

Partner Municipality	2018 Total Operating Levy	% of Total Share	Calculation of 2019 Levy				% of Total	Change from 2018	
			CVA Levy	Municipal Property Tax Adjustment	Non-CVA Levy	Total Operating Levy		\$	%
Adjala-Tosrontio	870	0.01%	\$ 885	\$ -	\$ -	\$ 885	0.01%	\$ 15	1.7%
Region of Durham	539,120	3.76%	388,732	96,452	67,416	552,600	3.73%	13,480	2.5%
City of Toronto	8,602,100	60.06%	8,904,221	4,114	-	8,908,335	60.09%	306,235	3.6%
Town of Mono	1,710	0.01%	1,144	336	-	1,480	0.01%	(230)	-13.5%
Region of Peel	1,856,000	12.96%	1,541,082	48,785	327,133	1,917,000	12.93%	61,000	3.3%
Region of York	3,322,000	23.20%	3,012,643	182,742	248,615	3,444,000	23.23%	122,000	3.7%
Total	14,321,800	100.00%	13,848,707	332,429	643,164	14,824,300	100.00%	502,500	3.5%

- For 2019, the City of Toronto's share is increased by \$0.306 million or 3.6% higher than 2018, comprising of \$0.183 million from tax levy and \$0.124 million additional contribution from Toronto Water.
- Between 2019 and 2022, TRCA’s partner municipalities are projecting the following assessment growth (excluding the municipal property tax adjustment):

Table 3: Projected Annual CVA Growth by Partner Municipality from 2019 to 2022

Partner Municipality	2019	2020	2021	2022
Adjala-Tosrontio	1.72%	3.62%	3.49%	3.48%
Durham	2.80%	3.81%	3.80%	3.87%
Toronto	3.52%	3.55%	3.54%	3.53%
Mono	3.06%	3.50%	3.46%	3.51%
Peel	3.69%	3.37%	3.37%	3.36%
York	3.10%	2.99%	2.90%	2.82%

- In any year that Toronto holds budgetary growth below that of TRCA’s partner municipalities, the Non-CVA Levy increases. Given the projected CVA growth in Table 3, the Non-CVA Levy shortfall resulting from Toronto's under-contribution against its 64.3% proportion, will remain greater than \$600,000 per annum, for a cumulative of \$2,493,391 over 4 years, as indicated in Table 4 in the following page:

Table 4: Projection of 2019 - 2022 Non-CVA Levy by Partner Municipality

Partner Municipality	2019	2020	2021	2022	Total (\$)
Adjala-Tosrontio	-	-	-	-	-
Durham	67,416	71,010	74,757	79,041	292,224
Toronto	-	-	-	-	-
Mono	-	-	-	-	-
Peel	327,133	335,401	343,896	352,558	1,358,988
York	248,615	212,880	199,050	181,634	842,179
Total	643,164	619,291	617,703	613,233	2,493,391

- Due to the nature of the CVA Levy formula, the proposed resolution to eliminate the Non-CVA Levy would be for all of the partner municipalities to align with the Region of Peel's levy funding, which would bring the total CVA Levy to \$18,540,779 in the year 2022, as illustrated in Table 5 below:

Table 5: Proposed 2022 Levies

Partner Municipality	Existing Projection (\$)	Proposed Levy (\$)	Additional Funding (\$)
Adjala-Tosrontio	982	1,184	202
Durham	510,548	520,438	9,890
Toronto	9,884,011	11,921,057	2,037,046
Mono	1,268	1,529	261
Peel	2,063,215	2,063,215	-
York	3,525,777	4,033,354	507,577
Total	15,985,801	18,540,779	2,554,978

- The projected cost of addressing the existing funding imbalance among municipalities would require the City of Toronto to contribute an additional funding of \$2,037,046 million in 2022. In order to achieve this, TRCA proposes the following phased in growth to the City of Toronto's CVA Levy starting 2020, as outlined in Table 6 below:

Table 6: Impact on Toronto of Elimination of the Non-CVA Levy by 2022

Toronto	Existing Levy Projection		Proposed Levy		Incremental Funding
	\$	% Increase	\$	% Increase	
2018	8,601,400	2.49	8,601,400	-	
2019	8,904,221	3.52	8,904,221	-	
2020	9,220,459	3.55	9,904,221	11.23	683,762
2021	9,546,937	3.54	10,904,221	10.10	673,522
2022	9,884,011	3.53	11,921,057	9.33	679,762
Total					2,037,046

- Upon approval in principal by Toronto's City Council, TRCA will work with all of partner municipalities to develop proposals to achieve the additional annual funding ask by 2022.
- Further, TRCA will work with all partner municipalities to develop a consistent operating levy strategy to ensure that such an issue does not recur in the future. This could be achieved by an understanding with each partner municipality to approve a common annual operating levy increase (e.g. as 3.5% shown in Table 6 above).

Key Points:

- TRCA has always taken a pragmatic approach to the apportionment by working with partner municipalities' staff and decision making bodies through their unique budget processes to determine what CVA/Non-CVA levy payments are financially sustainable from their perspectives.
- TRCA has never levied an amount in excess of this limit, and it is not the organization's intention to start such a practice, however, in working around the City's budgetary constraints, the non-CVA levy has increased by almost 30x in the past 8 years.
- In order to accommodate our partner municipalities' budgets, TRCA has made sacrifices which negatively impacted its operational capacity during a time of substantial growth for the organization. Subsequent to the creation of TRCA's Corporate Services division in March 2018, these matters were brought to City staff through the budget process, with the explanation that the additional operational funding would be crucial to improving service delivery.
- In assessing its corporate needs, TRCA has determined that an additional \$2,500,000 a year, approximately 2.5% of the organization's annual operating budget, in order to procure additional corporate service staffing, enhance technological capabilities and support modernization efforts. This could be achieved fairly for our partner municipalities through the strict enforcement of the CVA levy formula, which would lead to the elimination of the non-CVA levy component.
- Going forward, TRCA will work with all partner municipalities to develop a consistent operating levy strategy with confirmation and approval from the respective City Councils.

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