REPORT FOR ACTION

Budget Committee Recommended Tax Supported 2019 Operating Budget and 2019-2028 Capital Budget and Plan

Date: March 1, 2019
To: Special Executive Committee
From: Chief Financial Officer and Treasurer
Wards: All

SUMMARY

This report presents the City of Toronto's Budget Committee (BC) Recommended Tax Supported 2019 Operating Budget and 2019 – 2028 Capital Budget and Plan, which is the first budget of a new four-year term of Toronto City Council. This report seeks City Council approval for the 2019 Operating Budget by service, associated service levels, and staffing detailed therein; the 2019 Capital Budget, future year cash flow commitments, and planned estimates over the 2019 – 2028 capital planning period.

The 2019 Operating Budget and the 2019 – 2028 Capital Budget and Plan, as recommended by Budget Committee, enables the City of Toronto to provide over 150 distinct services that are supported by capital assets and infrastructure worth more than $94.0 billion to meet the needs of a diverse population of more than 2.9 million people.

The City employs a financial planning and budgeting process that is transparent, accessible and focused on service value and accountability. It accounts for the public's needs as translated by Council in its approved strategies and priorities and ensures that value is achieved through the efficient use of resources for the most effective delivery of City services and stewardship of City assets. Grounded in good governance, the City's financial planning and budgeting practices are aimed to garner the public's trust and confidence in the management of public resources. Given the 2018 Municipal Election, the 2019 Budget process timelines, while condensed, ensured that an effective and transparent process was maintained.

The development of the 2019 Budget was guided by five key principles: preserving existing service levels; continuing investments in Council-approved priorities, strategies and plans to advance service priorities; maintaining affordability with a property tax rate increase in line with inflation; ensuring that equity impacts were considered in

recommended budget changes, and incorporating the results of Auditor General recommendations that realize savings.

Budget Committee undertook a detailed review of City Program and Agency expenses and revenues; explored key issues; considered additional new/enhanced services and capital requests and took into account the public's input. Based on these deliberations, Budget Committee, on February 20, 2019 recommended an increase from $54.7 million to $63.6 million (or $8.9 million) for new and enhanced service priorities that primarily advance affordable housing; arts and culture outcomes.

The 2019 BC Recommended Tax Supported Operating Budget is $11.559 billion gross and $4.313 billion net, representing an increase of $340.2 million or 3.0% in gross expenditures and $137.7 million or 3.3% in net expenditures over 2018. The $137.7 million net increase is offset by assessment growth of $61.1 million and a budgetary property tax increase of 1.80% that includes an inflationary residential property tax rate increase of 2.55%. This increase will generate an additional $76.6 million in property tax revenue for 2019.

The 2019 BC Recommended Tax Supported Operating Budget of $11.559 billion gross and $4.313 billion net maintains current service levels and continues investments started but not fully implemented in 2018 totalling $253.4 million and recommends new investments of $63.6 million in 2019, for a total of $317.0 million. These investments implement Council strategies for poverty reduction, environmental sustainability, and advance city building and mobility initiatives.

The 2019 Operating Budget, as recommended by Budget Committee, proposes the phased elimination of solid waste bin rebates for single family homes over 3 years, beginning with the large bin to increase waste diversion and move to a full solid waste utility program; the decline in Municipal Land Transfer Tax revenues which is offset with a partial reduction in the annual capital contribution; incorporates a TTC fare increase of 10 cents per ride and requests the federal funding to sustain costs to accommodate a 100% year over year increase in refugees and asylum seekers in the City's shelters since 2016.

Regarding the BC Recommended 10-Year Capital Plan, actions are recommended to: reassess the 10-year Capital Plan's requirements based on the City's capacity to deliver; and mature the City's asset management practices to best reflect actual needs. In addition, integrating official, service and capital plans, setting City-wide priorities and maximizing debt and non-debt funding strategies will establish a roadmap for the City.

A total of $785.0 million in new capital investments have been added to the City's 10-Year Capital Plan to meet the City's most critical needs for transit, bridges, service modernization, emergency service facilities, and accessibility improvements. These new investments are made possible through realigning cash flow funding to better match project spending, implementing stage-gating for major capital projects, and maximizing non-debt funding sources.

In addition, the 2019 – 2028 BC Recommended Tax Supported Capital Budget and Plan includes $12.785 billion or 49% cash flow funding dedicated to maintaining the City's extensive infrastructure and assets in a state of good repair while the remaining 50% is allocated to service improvement and growth related projects to address service demands and help prepare the City for future growth.

The BC Recommended 10-Year Capital Budget and Plan, demonstrates the City's commitment to provide reliability in the use of current assets that support City services and build the infrastructure needed to improve Toronto's service delivery and support its growth. Notwithstanding the above, challenges to fund the increasing SOGR backlog and growing unmet capital needs remain.

The 2019 BC Recommended Capital Budget totals $3.800 billion (including 2018 carry forward funding of $0.818 billion) requiring $1.742 billion in debt funding and resultant future year cash flow funding commitments of $10.861 billion. In addition, this report requests approval of the 2020 – 2028 Capital Plan of $12.386 billion in planned estimates, which will form the basis for developing future capital budgets and plans, in accordance with the City's multi-year financial planning and budgeting policies and practices. Staff will report on final carry forward funding to City Council in mid-2019.

With a significant investment in SOGR funding, the accumulated SOGR backlog estimate is still projected to increase from $6.024 billion (2018) to $9.506 billion (2028). Also, the City's unmet capital needs total nearly $13.6 billion over the next 15 years, approximately $8.2 billion are SOGR projects to maintain the City's assets in good working condition, $3.6 billion are growth related projects, and $1.0 billion are for service improvement. This estimate excludes the TTC’s recently released Capital Improvement Plan; Transit Expansion programme beyond the Scarborough and SmartTrack projects as well as local, area and City revitalization projects in development. Further actions are recommended to address the challenge of funding these unmet capital needs.

Keeping pace with a growing population will require the City to continue investing in the improvement and expansion of services while ensuring that current service levels are not eroded. Work is underway to modernize the City's budget process, review and innovate service delivery; assess the adequacy of City reserves and develop funding strategies and partnerships.

RECOMMENDATIONS

The Budget Committee recommends the following to Executive Committee for recommendation to City Council:

1. City Council approve the 2019 Budget Committee Recommended Tax Supported Operating Budget of $11.559 billion gross and $4.398 billion net including the special levy for the Scarborough Subway Extension and City Building Fund as detailed in Appendices 3.1.1, 3.1.2, and 3.1.3, consisting of:

   a. a Base Budget of $11.496 billion gross and $4.297 billion net to deliver existing services and service levels;

   b. an investment in new and enhanced services priorities of $63.596 million gross and $15.564 million net;

   c. contribution to the Scarborough Transit Reserve Fund from the 2019 Scarborough Subway Extension special levy property tax levy for the Scarborough Subway Extension of $40.699 million gross and net; and

   d. contribution to the City Building Reserve Fund from the dedicated City Building property tax levy for priority transit and housing capital projects of $43.887 million gross and net.

2. City Council approve the Recommendations in Operating Budget for City Programs and Agencies as detailed in Appendix 1.

3. City Council approve the 2019-2028 Budget Committee Recommended Capital Budget and Plan for Tax Supported Programs and Agencies of $27.048 billion consisting of: total project cost authority for new and change in scope projects of $4.660 billion requiring 2019 cash flow of $217.6 million and future year commitments of $4.443 billion; total cash flow funding of $9.183 billion including 2019 cash flow funding of $2.765 billion (including 2-year carry forward funding of $88.1 million) and future year commitments of $6.419 billion for previously approved projects; c. 2018 carry forward funding of $818.1 million; and 2020-2028 planned capital estimates of $12.386 billion as detailed in Appendices 3.2.1, 3.2.2, 3.2.3, 3.2.4 and 3.2.7.

4. City Council approve funding sources for the 2019 Budget Committee Recommended Tax Supported Capital Budget as outlined in Appendix 3.2.5.

5. City Council approve the Recommendations totalling $27.048 billion in Capital funding for City Programs and Agencies as detailed in Appendix 2.

6. City Council approve the 2019 sinking fund levies of $316 million in respect of the City's outstanding debt.

7. City Council, in approving the 2019-2028 Capital Budget and Plan, express its intent to ensure that the increase in the need for services attributable to the anticipated development will be met and that any future excess capacity identified will be paid for by development charges or other similar charges.

FINANCIAL IMPACT

Budget Committee Recommended Tax Supported 2019 Operating Budget and 2019-2028 Capital Budget and Plan Summary

The 2019 Budget Committee (BC) Recommended Tax Supported Operating Budget and the 10-year Capital Budget and Plan is summarized in Table 1 below.

Table 1: BC Recommended Tax Supported 2019 Operating Budget and 2019-2028 Capital Budget and Plan

Total Tax Supported Budget & Plan ($M)	Operating Budget		Capital Budget & Plan			
	2019		2019		2020-2028	
Programs	**Gross**	**Net**	**Gross**	**Debt**	**Gross**	**Debt**
City Operations	5,666	2,043	1,337	792	11,659	7,274
City Agencies	4,177	2,318	1,632	462	11,312	2,825
Corporate & Capital Financing	1,716	(47)	13	3	3,259	71
Total Budget Before Special Levy	**11,559**	**4,313**	**2,982**	**1,256**	**26,229**	**10,170**

2019 BC Recommended Tax Supported Operating Budget Overview

The 2019 BC Recommended Tax Supported Operating Budget is $11.559 billion gross and $4.313 billion net, representing a $340.2 million or 3.0% increase in gross expenditures and a $137.7 million or 3.3% increase in net expenditures over the 2018 Council Approved Operating Budget.

The $137.7 million or 3.3% increase in net expenditures, as shown in Table 2 on the following page, has been funded by a total overall tax rate increase of 1.80% after assessment growth which is below the rate of inflation. This translates to an equivalent residential property tax rate increase of 2.55% for budgetary purposes in 2019.

Table 2: 2019 BC Recommended Tax Supported Operating Budget

$ Millions	2018 Budget Gross	2018 Budget Net	2019 Budget Gross	2019 Budget Net	Change Gross $	Change Gross %	Change Net $	Change Net %
City Operations	5,418.3	2,010.4	5,666.2	2,042.6	247.9	4.6%	32.2	1.6%
Agencies	4,073.5	2,259.4	4,176.8	2,317.8	103.3	2.5%	58.4	2.6%
Corporate Accounts	1,679.6	675.5	1,670.3	639.8	(9.3)	(0.6%)	(35.7)	5.3%
MLTT	47.7	(770.0)	46.0	(687.1)				
Net Operating Budget	**11,219.2**	**4,175.2**	**11,559.4**	**4,313.0**	**340.2**	**3.0%**	**137.7**	**3.3%**
Scarborough Subway	40.7	40.7	40.7	40.7				
City Building Fund	28.7	28.7	43.9	43.9	15.2	53.0%	15.2	53.0%
Total Net Tax Levy	**11,288.5**	**4,244.6**	**11,644.0**	**4,397.6**	**355.4**	**3.1%**	**152.9**	**3.6%**

The 2019 BC Recommended Tax Supported Operating Budget allocates $63.6 million gross and $15.6 million net to fund new/enhanced service priorities that advance Council approved service strategies and plans, as detailed in Appendix 3.1.5.

The 2019 BC Recommended Tax Supported Operating Budget also provides funding for a total staff complement of 54,086.7 (50,343.7 operating service delivery positions and 3,743.0 capital project delivery positions) to deliver current and new/enhanced services and service levels, as recommended by the Budget Committee.

This represents an overall net increase of 319.5 positions as a result of:

- Base changes of 99.5 positions comprised of a decrease of 71.2 capital positions due to completed capital projects, a decrease of 108.4 operating positions as a result of service efficiencies, and an increase of 279.1 operating positions arising from prior year investment impacts, operating impacts of capital, and other base changes;

- An addition of 220.0 positions to deliver new/enhanced service priorities (205.0 operating and 15.0 capital).

Please refer to Appendix 3.1.5 for the 2019 BC Recommended Staff Complement details by City Program and Agency.

Property Tax Rate Increase to Fund the 2019 Operating Budget

The 2019 BC Recommended Tax Supported Operating Budget keeps the cost of City services affordable with a residential tax rate increase of 2.55%, reflective of an inflation-level adjustment.

In addition, City Council previously approved in 2017 an incremental special tax levy of 0.50% for each of 5 years that will grow to 2.50% by 2021 for the City Building Fund to be dedicated to fund transit and social housing capital expenditures.

When taking into account City Council tax policy and Current Value Assessment (CVA) policy shifts and other regulatory impacts, the total residential tax rate will be increased by a further 0.53% or $15.00 to a total of 3.58%, resulting in a $104.00 total annual increase for a household with an average assessed home value. The total City of Toronto property tax rate, when taken across all tax classes, will increase by 2.63% as shown in Table 3 below.

Table 3: Budget Tax Increase Including City Building Fund and Current Value Assessment (CVA) Policy Shift

	Residential Tax Increase	Total City Tax Increase
Budget Impact	2.55%	1.80%
City Building Fund	0.50%	0.35%
CVA / Policy / Regulatory Impacts	0.53%	0.48%
Total Impact	**3.58%**	**2.63%**

2020 and 2021 Operating Plans

Looking out two years, the City of Toronto will be challenged with addressing gross expenditure pressures of $506.0 million in 2020 and $371.0 million in 2021. The forecasted pressures, to a small extent, are driven by costs associated with 2019 decisions such as the reversal of one-time bridging strategies used to balance the 2019 Operating Budget and the annualized costs of 2019 new/enhanced service investments. These 2019 decisions result in a $36.0 million net pressure for 2020 and $3.0 million for 2021.

Incremental debt servicing costs and operating contribution to capital to finance the City's approved capital works program, as well as inflationary increases to maintain 2019 services and service levels will have a cumulative cost of $470.0 million in 2020 and $368.0 million in 2021.

As outlined in Table 4 on the following page, after accounting for revenue changes, the multi-year strategy for waste diversion, and moderate assessment growth, the net expenditure pressure on the tax base is estimated to be $401.0 million in 2020 and $253.0 million in 2021.

There is a commitment to provide an update on the Long Term Financial Plan which will include a multi-year budget process. The multi-year year budget will provide an opportunity to address forecasted pressures driven by Council investments in 2018 and continued new/enhanced service investments in 2019.

Table 4: 2020 and 2021 Incremental Operating Budget Plan

	Incremental	
($ Million)	**2020**	**2021**
Reversal of One-Time Reserve Draws	26	
Incremental Cost for 2019 New/Enhanced Priorities	10	3
Total Prior Year Decisions:	**36**	**3**
Operating Impact from Approved Capital Works	174	106
Incremental Operating Costs	295	262
Total Incremental Expense Pressures:	**470**	**368**
Total Gross Pressures	**506**	**371**
Base Revenue Changes	(11)	(19)
Multi-Year Strategy to Drive Waste Diversion	(43)	(47)
Assessment Growth	(51)	(52)
Total Revenue Changes	**(105)**	**(118)**
Total Net Pressure	**401**	**253**

It is important to note that these forecasts include inflationary estimates to provide 2019 approved service levels.

2019-2028 BC Recommended Tax Supported Capital Budget and Plan Overview

With the inclusion of 2018 carry forward funding, the 2019 BC Recommended Tax Supported Capital Budget totals $3.800 billion, comprised of 2019 cash flow funding for new and change in scope projects of $217.6 million that has a total project cost of $4.660 billion and resulting in future year commitments of $4.443 billion; previously approved projects requiring 2019 cash flow funding of $2.765 billion (incl. 2-year carry forward funding of $88.1 million) and future year commitments of $6.419 billion and 2018 carry forward funding of $818.1 million. In addition, the 2019 BC Recommended Tax Supported Capital Budget and Plan includes planned capital estimates of $12.386 billion, bringing the City's 10-year Capital Budget and Plan to $27.048 billion.

The approval and implementation of the 2019-2028 BC Recommended Tax Supported Capital Budget and Plan will add incremental operating costs of $1.043 billion over the 10-year period. These costs include:

- sustainment costs of $355.4 million to operate complete capital projects;
- debt servicing charges of $126.3 million for principle and interest expenses; and
- capital contribution from the operating fund as pay-as-you-go financing for capital projects of $560.9 million.

The 2019-2028 recommended cash flow and future year commitments for New/Change in Scope projects; Previously Approved projects; carry forward funding for 2018 and prior year uncompleted projects and the 2020-2028 Capital Plan estimates are summarized, along with the financial impacts in the Operating Budget arising from approval of the 10-year Capital Plan in Table 5 below

Table 5: 2019-2028 BC Recommended Capital Budget and Plan and Incremental Operating Impacts

(Millions)	**2019 Budget**	**2020-2028 Plan**	**Total 2019-2028**
2019 New / Change in Scope Projects and Future Year Commitments	218	4,443	4,660
Previously Approved Projects and Future Year Commitments	2,677	6,419	9,095
2-Year Carry Forward for Re-approval	88		88
Capital Plan Estimates		12,386	12,386
Sub-Total	**2,982**	**23,247**	**26,229**
1-Year Carry Forward to 2019	818		818
Total Capital Budget and Plan	**3,800**	**23,247**	**27,048**
Incremental Impact on Operating			
Operating Impact from Completed Capital Projects	34.991	320.456	355.447
Capital Financing	2.710	684.477	687.187
Total Incremental Operating Impact	**37.701**	**1,004.933**	**1,042.634**

Authority to Issue Debentures During 2019

The proceeds from the issuance of debentures will be used to finance capital expenditures that have been incurred or committed to projects approved by Council. The authority to borrow up to $1.0 billion in 2019 has been authorized under By-law No. 254-2019.

- Issuance Activity during 2018

The debenture authority approved by Council for 2018 was $950 million. Due to favourable capital market conditions and timing considerations, debenture issuance in the full amount of $950 million was completed during the year as outlined in Table 6 on the following page:

Table 6: 2018 debenture issuance details as approved by the Debenture Committee

Issue Date	20-Mar-18	18-Jul-18	21-Sep-18
Settlement Date	04-Apr-18	01-Aug-18	04-Oct-18
Size	$300 million	$300 million	$350 million
Coupon	2.40%	3.20%	3.50%
Maturity Date	07-Jun-27	01-Aug-48	02-Jun-36
Term	9 years	30 years	18 years
Issue Yield	2.955%	3.213%	3.504%

- Approval of 2019 Sinking Fund Levies Recommendation

The City of Toronto Act, 2006 (COTA), sub-section 255 (4) states that, "If in any year an amount is or will be required by law to be raised for a sinking fund or retirement fund of the City, the City Treasurer shall prepare for City Council, before the budget for the year is adopted, a statement of the amount."

This report requests Council's approval for the 2019 sinking fund levies of $315,499,453.71 in respect of the City's outstanding debt.

DECISION HISTORY

At its final wrap-up meeting on February 20, 2019, Budget Committee requested that the Chief Financial Officer and Treasurer submit to Executive Committee at its meeting of March 4, 2019 a corporate staff report outlining the 2019-2028 Tax Supported Capital Budget and Plan and the 2019 Tax Supported Operating Budget, as recommended by the Budget Committee.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.BU4.4

At the first Budget Committee meeting on January 28, 2019, the City Manager, the Chief Financial Officer and Treasurer, and the Executive Director, Financial Planning presented the Staff Recommended Tax and Rate Supported 2019 Operating Budget and 2019-2028 Capital Budget and Plan.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.BU1.3

At its meeting on December 4, 5 and 13, 2018, City Council approved the budget process and schedule for Tax and Rate Supported 2019 Operating Budget and 2019-2028 Capital Budget and Plan for the City of Toronto. The 2019 Budget process was designed to obtain City Council approval by March 7, 2019. While the process was modified to meet the timelines, every effort has been made to ensure that a transparent and effective budget process was maintained.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.ST1.2

CONTEXT

Background

Toronto is Canada's largest city and a leader in business, finance, technology, entertainment, and culture. Its large population of immigrants from all over the globe has also made Toronto one of the most multicultural cities in the world. Toronto covers 641 square kilometres and stretches 43 kilometres from east to west and 21 kilometres from north to south at its longest points.

Toronto is home to about 2.9 million people and is expected to continue to grow steadily. Toronto's population grew by 116,511 residents between 2011 and 2016, an increase of 4.5%. The City's population grows to 3.1 million during the day (approximately 7.0%) with people coming to the city to work, study or enjoy all the City has to offer. Toronto's population is expected to reach 3.8 million by 2041.

Given the complexity and size of the City of Toronto, the City provides approximately 150 distinct services that are supported by $94.0 billion in assets to deliver those services. The range of assets includes: 800,000 hectares of parkland, 600 kilometres of trails, 100 libraries, 152 recreation centres, 140 neighbourhoods, and 5,600 kilometres of streets.

In its previous term, Council adopted many strategies and plans, and enhanced services in the following key priority areas:

- Housing

From 2015-2018, the City saw a marked increase in the need for Emergency Shelter beds. The Emergency Shelter system was accessed by 20,000 people during the prior term of Council. To assist with service demands, 700 Emergency Respite Beds were added to the system.

In response to this permanent Housing challenge, the City of Toronto endorsed the Housing Opportunities Toronto (HOT) Action Plan 2010-2020 that included 67 actions to assist 257,700 households struggling with high housing costs or inadequate accommodation. In 2018 alone, gross spending for Social Housing was $0.5 billion. The City had approved 7,335 new affordable rental homes during the last term of Council while assisting 5,100 refugees to find permanent housing.

- Mobility

City Council recently adopted the Downtown Mobility Strategy report (April 17, 2018) that outlines a series of actions that work together with the Downtown Parks and Public Realm Plan. It supports and complements the rapid transit network planning initiatives currently underway at the city-wide and regional scale and is informed by, and builds on, several City transportation initiatives, such as the Vision Zero Road Safety Plan, Congestion Management Plan and the 10-Year Cycling Network Plan. Key service enhancements made by the prior Council include:

    - Transit: 920 new buses, expanded the Blue Night Network; introduced new express bus routes; restored all day, every day bus service; two hour transfer with PRESTO; and

    - Transportation and Cycling: retimed of traffic signals leading to a 3.3% improvement in travel time leading to a 3.9% reduction in emissions; installed 100 kilometres of cycling infrastructure, upgraded 58 lane kilometres of cycle tracks or bike lanes.

- People and Neighbourhoods

In 2005, City Council identified 13 Priority Neighbourhoods as part of the Toronto Strong Neighbourhoods Strategy. In 2011, residents, businesses and agencies from across Toronto helped review the Strategy and suggested ways to improve it. Also in support of people and neighbourhoods, the Toronto Poverty Reduction Strategy is a concrete, 20-year plan that was unanimously approved by City Council in 2015. It contains 17 recommendations linked to a set of actions to be carried over five four-year periods. Annual work plans identify initiatives that advance actions. The strategy focuses on housing stability, services access, transit equity, food access, the quality of jobs and incomes, and systemic change. For example, the City has provided:

    - 1.1 million hours of recreation for 10.7 million participants in 2018;

    - 10,954 new licensed child care spaces in prior term of Council; and

    - 114,026 former Ontario Work clients' placements in 2018.

- Financial Sustainability

For Toronto to remain world-class, it must remain sustainable to keep up with growth and prepare for tomorrow.

In the prior term of Council, to support financial sustainability, the City leveraged development charge revenue to invest in infrastructure and environmental initiatives, and maximized funding partnerships that:

    - leveraged $8.0 billion in infrastructure funding from other orders of government;

    - funded 88 parks improvements by development charges;

    - generated $113.0 million in partnership donations and grants; and

    - transformed 1.75 kilometres into public space under the Gardiner

- Modernization

Government modernization is the key to how the City moves forward. Modernization initiatives includes key improvements to customer service made in prior years that includes:

  - increased 311 support to 3.4 million resident's interactions (up from 1.4 million from 2016);
  - increased access to city information through Open Data with 291 datasets;
  - enabled online portals such as Dine Safe, Swim Safe and Property Tax Look-up; and
  - streamlined Real Estate authorities and improve coordination to better manage portfolio.

The City is focused on ensuring that all services are delivered in the most efficient and effective manner possible. All Programs and Agencies are expected to review annually all services and activities for efficiency savings through:

  - Modernization, transformation, innovation and continuous improvement opportunities;
  - Cross-divisional collaboration and/or dependencies;
  - Functional and organizational reviews;
  - Reengineering and/or streamlining of business processes; and
  - Rationalization of space, technology, equipment and vehicles.

Close monitoring of Programs and Agencies' performance ensure services are delivered efficiently.

The prior term of Council made significant operating investments, in priority services, to begin or continue the following approved strategies and plans:

  - People and Neighbourhoods including Poverty Reduction initiatives totaling $206.5 million mainly to support Child Care Growth, Shelter Expansion, Transit Fare Equity and Housing initiatives;
  - Transit and Mobility improvements totaling $51.4 million mainly to support transit expansions, road congestion and the Vision Zero Road Safety Plan; and
  - Environmental Sustainability mainly to support TransformTO totaling $17.0 million.

In addition, significant capital investments were made in mobility, housing, state of good repair (SOGR), and modernization initiatives by approving $10.2 billion for the following capital projects:

- Mobility including investments in transit and transportation totalling $6.4 billion mainly for SmartTrack, and road infrastructure to tackle traffic congestion and improve cyclist access and pedestrian safety;

- Housing including $727.0 million to add 1,000 shelter beds and 11 shelter sites; the George Street Revitalization project; and to provide $279.0 million in interim funding to Toronto Community Housing Corporate to address SOGR requirements;

- Modernization of processes through investments in I&T and office infrastructure totalling $112.9 million; and

- People and Neighbourhoods projects that ensure public spaces are safe, in a state of good repair and AODA compliant.

However, despite these significant investments, the City continues to face challenges that will continue into this term of Council. Toronto, like other large cities, is facing urban challenges that include population growth, aging infrastructure, traffic congestion, disparities in income resulting in demand for more community and human services, and the distribution of community services.

In addition to these challenges, the City of Toronto struggles to fund services that benefit the region and the Province including poverty reduction, housing, transit, and refugee resettlement, as the City has increasingly taken responsibility over time in delivering services that were previously funded by other levels of government. Specifically, social housing cost up to 1999 and 50% of the transit operating cost up to 1998 were the responsibility of the Province. In addition, in 2018, the Province ended its Toronto Pooling Compensation support to the City.

Consequently, the City must fund and deliver a wide range of programs and services that extend beyond the mandate of smaller municipalities. City Council has adopted ambitious plans to address these issues and lead Toronto forward, however, the City needs to identify new revenue options to fund many of these solutions to maintain financial sustainability.

The demand for public services is rising, especially in the areas of public safety, social equity, climate change, housing, and mobility. The City also has substantial capital needs for both new infrastructure and state of good repair (SOGR); a significant portion of these capital projects remain unfunded.

2019 Guiding Principles

In the absence of direction provided by Council given that 2018 was an election year, the 2019 Budget process was based on established principles of good governance and the incorporation of best and leading financial planning and service-based budgeting practices.

The goal of good governance is to instill trust and confidence in the management of the City's resources, All Torontonians as well as Council influence the outcome of budget decisions as represented in the image below.

The City is building a foundation for a performance and evidenced based approach to financial planning and management to ensure the greatest value and impact for every dollar spent.

The guiding principles that shaped the 2019 Budget process focused on: preserving existing service levels after reviewing service delivery processes for potential improvements, efficiencies and modernization; continuing investments in Council-approved priorities, strategies and plans; considering potential equity impacts of budget decisions, and maintaining affordability by introducing a property tax increase in line with inflation. All City Programs, Agencies and Accountability Offices were also required to evaluate outstanding recommendations from the Auditor General to realize savings to ensure opportunities to increase value were captured.

The Budget Committee Recommended Tax Supported 2019 Operating and 2019-2028 Capital Budget and Plan incorporated detailed reviews of individual Programs and

Agencies' budgets by senior staff, Budget Committee members and visiting Councillors. In February 2019, the City of Toronto organized 4 public deputation sessions where Torontonians had an opportunity to provide their input into the City's 2019 Budget. Budget Committee, on behalf of Executive Committee, held 8 sessions at four different Civic Centres over 2 days where 160 deputants provided their input on a wide range of issues that included:

- youth programs and poverty reduction to reduce social inequity;
- climate change;
- underfunded shelters and affordable housing; and
- public transit expansion needs and transit fare affordability.

COMMENTS

2019 BC Recommended Tax Supported Operating Budget Overview

On January 28, 2019, senior staff presented a balanced Staff Recommended 2019 Operating Budget totalling $11.559 billion that protected current services levels, recommended new funding of $63.596 gross and $15.564 net to invest in service priorities that advance Council-approved service plans and strategies while recommending a residential property tax rate increase of 2.55%, in line with inflation.

Most Programs and Agencies had absorbed or offset inflationary and prior year costs and reduced the reliance on the use of one-time funding sources to do so. Overall, City Programs' budgeted increase was limited to just 1.1% over 2018. Also, by holding the line on expenditure pressures both the Police Services and TTC recommended budgeted increases were 3.0% over 2018

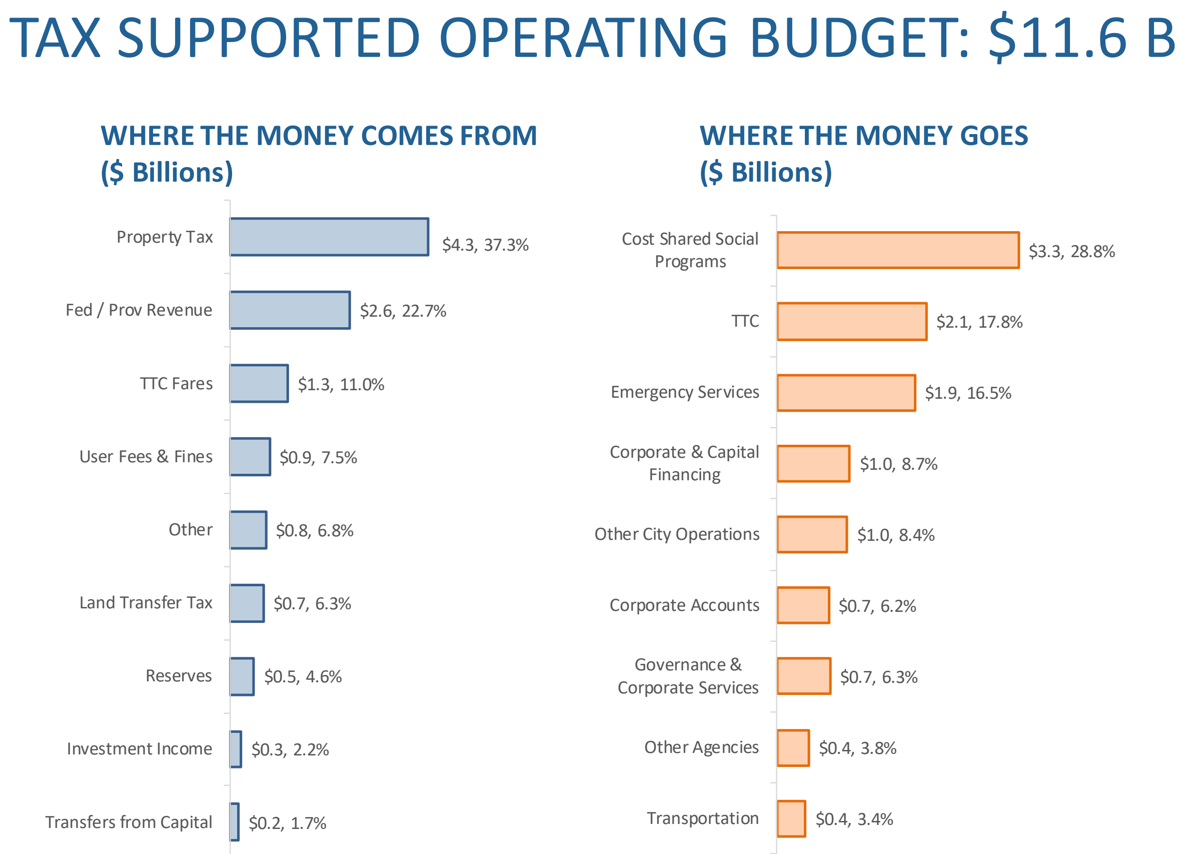
In addition, to partially mitigate the decline in Municipal Land Transfer Tax revenue of $83.0 million, the operating contribution to fund capital (CFC) was reduced by $13.0 million from 2018.

Budget Committee on February 20th, 2019, recommended funding of $8.912 million to further invest in key service priorities that will support the implementation of *Housing Now* initiatives and enhance arts and culture. The 2019 BC Recommended Operating Budget will have a generally positive impact on equity-seeking communities, with the greatest impact on persons with low income, vulnerable youth, and women.

2019 BC Recommended Tax Supported Operating Budget

The 2019 BC Recommended Tax Supported Operating Budget is $11.559 billion gross and $4.313 billion net, resulting in a $355.424 million or 3.1% increase in gross expenditures and a $137.736 million or 3.3% increase in net expenditures over the 2018 City Council Approved Operating Budget, as detailed in Chart 1 on the following page:

Chart 1: 2019 BC Recommended Tax Supported Operating Budget



On a gross expenditure basis, the budget for Cost Shared Programs will increase by 5.4% over the 2018 Approved Operating Budget. This increase is primarily a result of the additional investment in the shelter system due to the higher than anticipated demand by refugee claimants and asylum seekers. On a net basis, Cost Shared Programs' budgets will increase by 1.5% as changes to gross expenditures are partially offset by anticipated increases to Federal and Provincial revenues.

TTC net expenditures will increase by 3.0% over the 2018 Budget due to investments in capacity improvements, the annualized costs of 2 hour transfers and the ongoing PRESTO transition. These increases will be mitigated by the 10 cent per ride planned fare increase, which will generate revenues of $25.8 million.

Overall the City's Emergency Services budget, comprised of Toronto Police Service and Board, Toronto Fire Services, and Toronto Paramedic Services will increase by 3.1% year-over-year on a net basis:

- Toronto Police Services' net budget will increase by 3.0% primarily as a result of the annualization of 53 Communications Operator positions, salaries and benefits adjustments to meet frontline demands, and investments in modernization initiatives;

- Toronto Fire Services' net budget increase of 3.0% is mainly related to collective agreement pressures; and
- Toronto Paramedic Services' increase of 5.6% is due to salary and benefit pressures driven by cost of living adjustments and legislative changes as a result of Bill 148.

On the revenue side, TTC fares, user fees, charges and fines included in the 2019 BC Recommended Budget total $2.131 billion. In total, user fees have increased by $37.6 million over the 2018 Budget. Specifically, price changes and the introduction of new user fees will generate incremental revenues as follows:

- $31.6 million from rate changes based on inflationary adjustments;

- $5.8 million from adjustments to current market prices and/or to recover the full costs of providing the related user fee services; and

- $0.2 million from the introduction of new fees

Also, recommendation #3 from the Head of Commission Services, TTC entitled *"2019 Toronto Transit Commission and Wheel-Trans Operating Budget"* has been revised in the TTC's Budget Notes directing Transportation Services to collect the fee on behalf of TTC, thereby recommending that:

"City Council approve a new TTC Variable Lane Occupancy fee to recover the incremental costs of required additional service hours to maintain standards resulting from the temporary occupation of the roadway and that Transportation Services collect this fee on behalf of the TTC at the time of collection for the Temporary Street Occupation Permit Fee."

Details of all user fee changes are provided in the Budget Briefing Note # 1 entitled "*Changes to Existing User Fees and New User Fees in the 2019 Staff Recommended Operating Budget*" that was provided to Budget Committee for consideration at its meeting of February 20, 2019. The Budget Briefing Note supplements the public notice for all recommended user fee changes in 2019.
https://www.toronto.ca/legdocs/mmis/2019/bu/bgrd/backgroundfile-124405.pdf

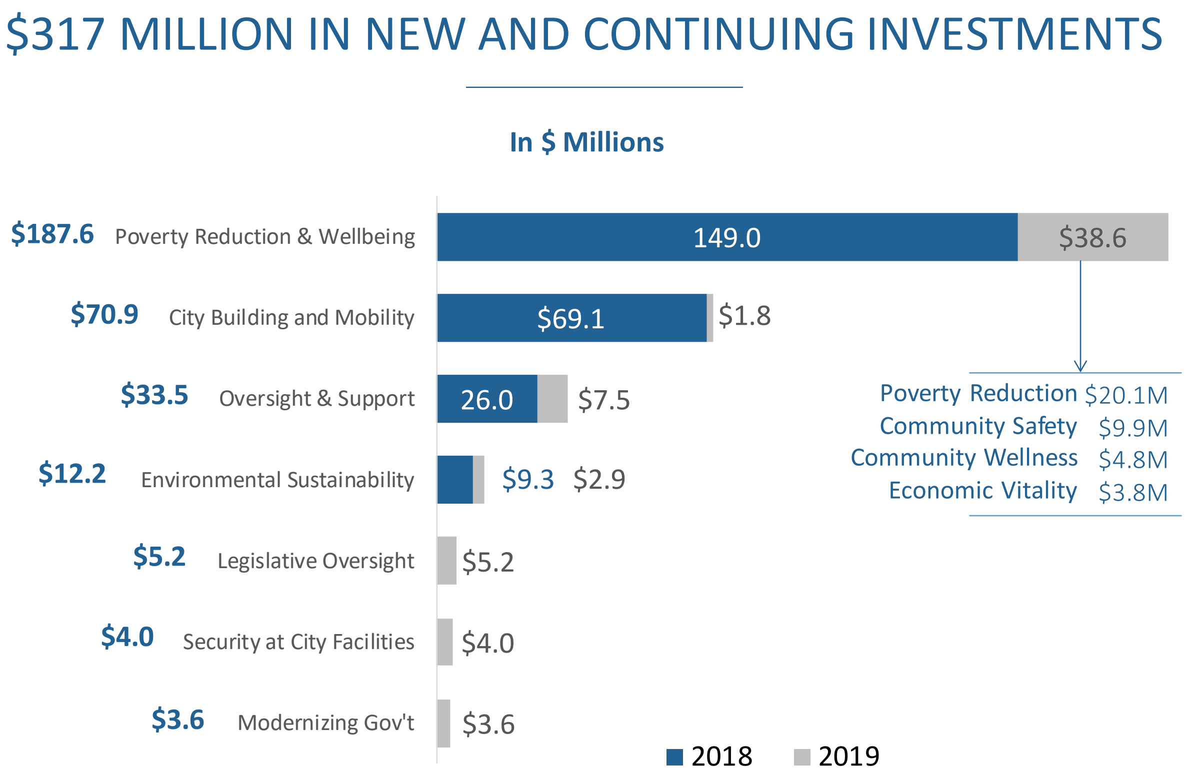
Municipal Land Transfer Tax (MLTT) revenue totals $727.1 million and represents 6.3% of the City's revenues. MLTT is not a predictable source of revenue, and is sensitive to economic conditions and the real estate market. Given this volatility, staff will be developing a strategy to redirect some portion of the MLTT to fund capital costs and reduce the City's reliance on the MLTT to fund ongoing operating costs.

Municipal property tax is the funding of last resort and it is important for the City of Toronto to maximize all other revenue sources first. For 2019, property tax revenue totals $4.3 billion, reflecting the increased revenue to be generated from the recommended 2.55% residential property tax rate increase of $76.6 million and the revised estimate for 2018 assessment growth of $61.1 million following the return of the final assessment roll.

New and Continuing Investments in City Priorities

Council will continue to make investments in support of its collective vision for the City, determining the level and quality of services it wishes to deliver in the face of broader challenges in areas of social inequity, housing, mobility, aging infrastructure and climate change. The 2019 BC Recommended Tax Supported Operating Budget continues investments started but not fully implemented in 2018 totalling $253.3 million and recommends new investments of $63.6 million in 2019, for a total of $317.0 million. These investments can generally be categorized in seven areas of focus: poverty reduction and wellbeing, city building and mobility, oversight and support, environmental sustainability, legislative oversight, security at City facilities, and modernizing government as detailed in Chart 2 below:

Chart 2: New and Continuing Investments



- Poverty Reduction and Wellbeing ($187.6 million)

In 2018, City Council approved $123.3 million in funding to enhance poverty reduction and community wellbeing initiatives by investing in key areas such as child care, shelter supports, violence prevention, expansion of library hubs and Sunday library hours, and Toronto Youth Equity Strategy. The 2019 Operating Budget fully funds these 2018 investments with the recommended base funding of $149.0 million. BC also recommended $38.6 million in new funding to further these service outcomes.

- City Building and Mobility ($70.9 million)

During the previous budget cycle, City Council approved funding for initiatives to relieve bus overcrowding, build cycling infrastructure and advance the Vision Zero – Road Safety Plan. The 2019 incremental cost to fully fund the implementation of these investments total $69.1 million is included in the 2019 BC Recommended Operating Budget, with BC recommending an additional $1.8 million in new funding.

- Oversight and Support ($33.5 million)

City Council approved 2018 funding of $22.7 million for improving service delivery, management, and oversight. The 2019 BC Recommended Budget includes $26.0 million in annualized costs, as well as new investments of $7.5 million to advance these strategies.

Balancing Strategies

Staff explored all City services for base expenditure reduction opportunities, and efficiencies through the administrative review stage of the Budget process. Many of the City Programs and Agencies were able to find sustainable savings and delivered their respective budgets with a 0% increase over the net 2018 budget. However certain City Programs and Agencies, where costs were driven by external factors such as increased shelter demand, inflationary provisions for salaries, and fully funding prior year decisions had higher percentage increases.

Table 7 below illustrates the key strategies that were used to balance the base budget and provided capacity to continue to invest in Council approved plans and strategies.

Table 7: How We Are Balancing the Budget

Residential property tax increase (1.8% overall)	2.55%
TTC fare increase	10 cents/ride
Federal Gov't Refugee contribution	$45M
Capital contribution reduction	$13M
Solid waste rebate reduction (year 1)	$35M
Savings target	$10M

- Residential Property Tax Rate Increase (2.55%)

The 2019 BC Recommended Tax Supported Operating Budget keeps the cost of City services affordable with a residential tax rate increase of 2.55%, reflective of an inflation-level adjustment and an equivalent budgetary impact of 1.80% represents a $76.6 million increase in revenues.

- TTC Fare Increase (10 cents per ride)

The recommended fare increase is in line with inflation since the previous fare increase two years ago, and will generate $25.8 million in additional revenues. While there is no change to the adult cash fare, senior and student cash fare as well as tokens and e-purse are increasing by 10 cents per ride. While this impact may present an affordability issue for some TTC customers, actions will be taken in 2019, in addition to past fare policy initiatives, to lessen this impact.

- Federal Government Refugee Contribution ($45.4 million)

While immigration is a federal responsibility, with the provincial government providing certain income and health supports, the City has always provided shelter services to refugee claimants. Prior to 2016, refugee claimants and asylum seekers accounted for 10% of the total shelter clientele with the associated $12 million in costs being funded through the Shelter, Support and Housing Administration's (SSHA) base operating budget. Since December 2016, more than 2,500 beds had been added to the system to manage the increase in claimants seeking shelter services in Toronto. While the City has assisted more than 5,600 claimants to find housing and move out of shelter accommodation, new arrivals continue to fill any available space while concurrently growing the placement list.

The City further responded to these increases by adding $18.0 million to the operating budget of SSHA, funded from reserves and the tax base in 2018, under the assumption that the refugee population would account for 20-25% of total shelter clients. However, the average number of claimants has significantly increased, with the refugee population peaking at 40% of total system demand in January 2019. As a result, an additional $27.4 million of funding is required for response and waiting list accommodation, bringing the total increase to $45.4 million over two years.

The City has requested that the federal government provide additional funding of $45.4 million for refugee and regional response expenses.

- Capital Contribution Reduction ($13.0 million)

The Municipal Land Transfer Tax (MLTT) has become a significant funding source and has played a critical role in City Council's ability to maintain below or at inflation-level property tax rate increases. Since 2015, the annual Operating Budget has relied on revenue gains in the MLTT to balance the budget, however this revenue is cyclical, and sensitive to economic conditions.

Continuing the trend of matching budgeted revenues to prior year actual experience, the 2019 BC Recommended Tax Supported Operating Budget includes a reduction of $83.0 million in MLTT revenues when compared to the 2018 Budget and assumes flat-lined growth in 2020 and 2021. As a partial mitigation strategy, the 2019 BC Recommended Budget includes a $13.0 million reduction from the 2018 approved budget for the CFC contribution.

The Chief Financial Officer and Treasurer will undertake a review of the City's 10-Year Capital Budget and Plan's expenditure and funding sources in time for the 2020 Budget process to ensure that the timing of capital project cash flow estimates and associated funding are aligned to actual project timelines, activities and capacity to deliver.

Going forward, any increases to the MLTT will be contributed directly to the Capital Financing Reserve Fund. In addition to providing funding to support the City's increasing capital plan, this approach will minimize the effect of revenue volatility and decrease the City's reliance on MLTT to fund core services in the future.

- Solid Waste Rebate Reduction ($34.6 million)

The City’s Long Term Waste Management Strategy also known as the Waste Strategy, was approved by City Council in 2016 and provides a road map for the way waste will be managed in Toronto over the next 30-50 years. It recommends policies and programs that promotes reducing, reusing and recycling and recovering to reinvest back into the economy. While the residential diversion rate was 53% in 2017, the Strategy also sets a goal of diverting 70% of Toronto’s waste away from landfills by 2026.

The Solid Waste Rebate was introduced in 2008 to transition to a volume-based utility model, where residents who create more garbage pay higher rates. In order to achieve long term waste management strategies including incentivizing a move to waste diversion from landfill, a fee rebate program was initiated. As the City's waste diversion program matured, attention was placed on achieving long term sustainability of the utility by moving to a full pay system that will increase waste diversion. Between 2015 and 2017, various reductions to the Single Family Residential Rebate were introduced across various bin sizes, and which resulting in savings in the Solid Waste Rebate Program budget that is funded from the Tax Supported Operating Budget.

The Budget Committee is recommending the full elimination of the large bin rebate within the year, as well as phasing out medium and small bin rebates over the next 2-3 years. The 2019 Operating Budget includes $34.9 million in savings for the 2019 large bin rebate cost elimination. Given the potential equity impacts for low income seniors and disabled customers, a relief program similar to the Water Rebate program will also be implemented to support these groups. Anyone recipient of the Water Rebate Program will be automatically registered for the Solid Waste Rebate program. In addition, Council will consider a new bylaw to create mandatory diversion requirements for all multi-residential, industrial, commercial and institutional buildings with the intention of phasing out the Multi-Residential Rebate by the end of the term of Council.

- Savings Target

A further $10.0 million savings target is incorporated into the 2019 BC Recommended Tax Supported Operating Budget for City Operations. During the year, Programs will continue a review of expenditures and service delivery processes to realize $10.0 million in savings.

2019 Property Tax Rate Changes on the Average Household (Municipal Taxes)

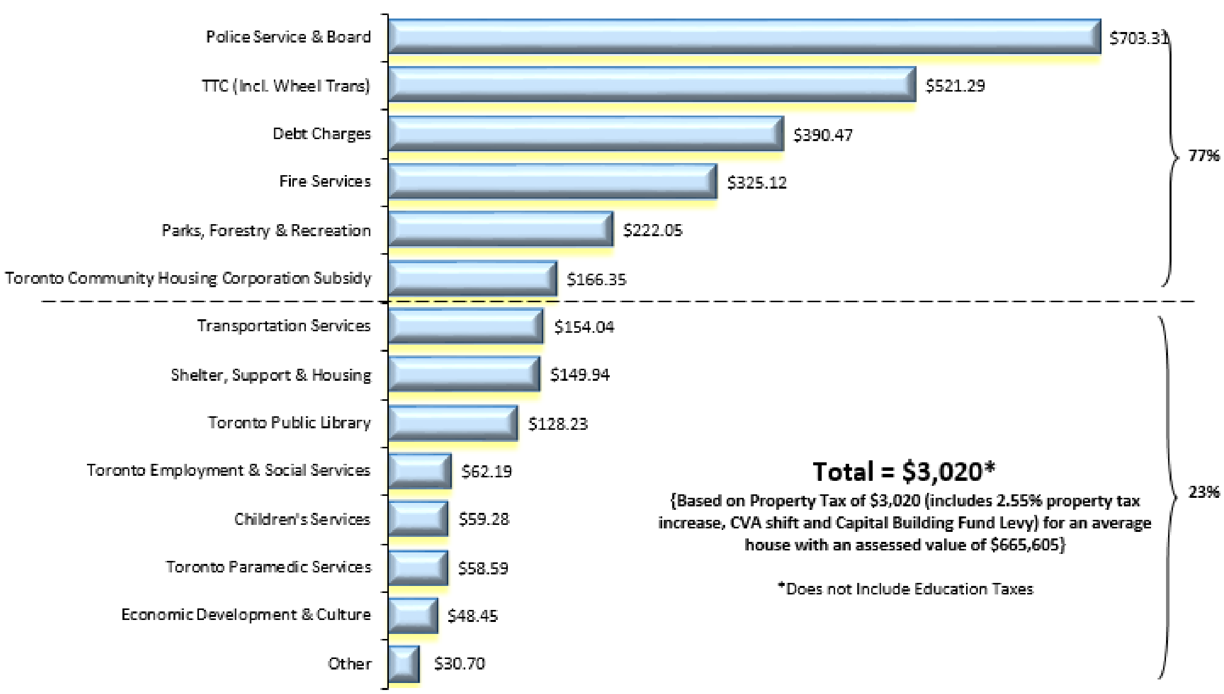
The 2019 BC Recommended Operating Budget keeps the cost of City services affordable with an inflation-level residential property tax rate increase of 2.55% and an overall total tax rate increase of 1.80% for budgetary purposes. This represents an increase of $74 for an average household with a home value assessed at $665,605 for 2019.

Property value reassessments are conducted on a four-year cycle with Current Value Assessment (CVA) increases being phased-in in equal increments in each year of the four year phase-in period. The combination of the CVA, Regulatory and City Council policy shifts, and the dedicated contribution to the City Building Fund for capital transit and housing projects, result in a total property tax rate increase of 3.58% or $104 for an average household, as outlined below:

	Average All Residential		Average Single-Family Detached		Average Condominiums	
	$	**%**	**$**	**%**	**$**	**%**
2018 Property Tax	**2,916**		**4,018**		**1,827**	
CVA/Policy Impact	15	0.53%	56	1.39%	(44)	(2.40%)
	2,932		**4,074**		**1,783**	
Budget Increase	**74**	**2.55%**	**102**	**2.55%**	**47**	**2.55%**
City Building Fund*	15	0.50%	20	0.50%	9	0.50%
Total Impact	**104**	3.58%	**178**	4.44%	**12**	0.65%
2019 Property Tax	**3,020**		**4,196**		**1,839**	
2019 Avg Home Value	**$665,605**		**$924,791**		**$405,130**	

***Continuation of 0.50% incremental special tax levy for each of 5 years, approved by City Council in 2017

Chart 3: Breakdown of Average Property Tax Bill



As outlined above in Chart 3, 77% of the overall 2019 City budget is spent on 5 Programs and Debt Servicing costs. Of the total budget, 23% of taxes paid goes to fund the Police Service and Board. Given this, the Toronto Police Services Board has developed various strategies to review its service delivery model and costs. *The Way Forward Report* prioritizes the transition to a district model of policing and includes the civilianization of uniform positions as well as increasing the use of data and analytics in decision making and planning.

TTC and Emergency Services, including Toronto Police Service, Toronto Fire Services and Toronto Paramedic Services, account for $1,608.31 or more than half of the average taxes paid by households.

With 13% spent on Debt Charges, it is critical that the City manages its debt borrowing as debt repayment must be funded within the City's Operating Budget. The higher these debt servicing costs, the less funding is available for the delivery of City services. The City policy that ensures debt charges at 15% of property taxes over a 10-year period assist in constraining debt costs.

Beginning in 2018, the City’s operating subsidy to Toronto Community Housing Corporation (TCHC) was separated from Shelter, Housing, Support and Administration’s Operating Budget to highlight the City's contribution to TCHC that totals 5.5% of the overall City budget or the equivalent of $166.35 of an average household's tax bill. The City’s *Tenants First Strategy* incorporates Council's direction to establish an interim funding model for TCHC following a review of their operating requirements, pending the determination of a longer term funding model to be developed in 2019. This strategy will allow TCHC to continue its operations while providing substantial debt funding for its Capital program and to continue inflight capital revitalization projects in 2019 to avoid any permanent unit closures.

2019-2028 BC Recommended Capital Budget and Plan Overview

The 2019-2028 BC Recommended Capital Budget and Plan totalling $26.229 billion is based on the previously approved capital plan and extended to 2028.

In addition, $785.0 million of new investments are recommended over the 10-Year period to fund key mobility, city building and SOGR projects in order to maintain current assets as well as plan for future growth. These investments were made possible by realigning annual cash flow estimates to match project activities and other strategies. As a result, the City increased its debt funding capacity by $700.0 million within the current debt service threshold.

The 2019 BC Recommended Capital Budget totals $2.982 billion of which $1.670 billion or 56% is dedicated to addressing SOGR capital works. Over the 10-year planning period, 49% or $12.785 billion is dedicated to SOGR which is greater than the total 2011-2020 Capital Plan. Also, 70% of the 2019 – 2028 Capital Budget and Plan's recommended expenditures is dedicated to capital works that will sustain and improve the City's mobility, with funding provided for SOGR for transit; roads, bridges as well as road safety; pedestrian and cycling network; signals; and transit expansion.

The 2019-2028 Budget Committee Recommended Capital Budget and Plan will require $4.780 billion in debt to be issued over the 10-year period resulting in the debt servicing cost ratio, a key indicator of the City's debt level, to be maintained at 14.93% averaged over the 10-year planning period. This average falls just below the City's self-imposed 15% threshold, with a small buffer for possible interest rate risks. As a result, $571.0 million of debt servicing costs will be paid from the 2019 Operating Budget, which represents an increase of $15.0 million over the 2018 Council Approved Operating Budget.

In addition to the repayment of debt servicing costs, the Capital Budget adds costs to the Operating Budget for both the ongoing cost of sustaining completed capital projects such as the operational costs of a new facility, as well as the annual budgeted contribution in the Operating Budget to supplement capital debt funding on a cash or "pay as you go" basis. In total, approval and implementation of the 2019-2028 BC Recommended Capital Budget and Plan will add $37.7 million to the Operating Budget in 2019 and a total of $1.043 billion over the next 10 years including Capital Financing and Operating impacts of completed capital projects.

Despite a total investment in SOGR funding of $12.785 billion over the 10-year period, the accumulated SOGR backlog estimate for Tax Supported Programs is projected to increase by 57% by 2028. As better information is received about asset values from inspections and condition assessments; further increases are expected and will be added to the list of unmet needs.

The City's growing unmet capital needs continue to be a key challenge going forward. In addition to the $23.7 billion in unfunded projects disclosed in TTC's Capital Investment Plan, the City currently has approximately $13.573 billion of unmet capital needs over the next 15 years, with $8.612 billion requiring debt financing. The list of unmet needs is refined on an annual basis, as projects are added to the Capital Plan through project prioritization and/or additional secured funding.

As the 5-year average capital spending rate for Tax Supported Programs is 61.0%, the Capital Budget and Plan will need to be reassessed to further align cash flows with project activities to ensure that allocated funding approved through the Budget process is fully spent. By not fully utilizing the funding in the year, these committed funds could be otherwise assigned to unfunded priorities.

Strategies to Fund the 2019-2028 Capital Budget & Plan

As part of the 2019 Capital review process, steps were taken to create $700.0 million in investment capacity by:

- reviewing annual cash flow estimates to more realistically match cash flow spending to project activities;

- ensuring stage-gating was implemented for major capital projects; and

- leveraging the City Building Fund as recoverable debt.

As a result, the City was able to provide debt funding of $598.0 million to support additional capital projects that have a total project cost of $785.0 million. The capacity also accommodated the year over year $13.0 million budget reduction to partially mitigate the MLTT revenue loss and build flexibility in the event of an adverse economic risk.

The recommended $785.0 million for new capital investments will fund critical mobility, city building, modernization, SOGR and other critical requirements as outlined in Table 8 on the following page:

Table 8: $785.0 Million in New Capital Investments

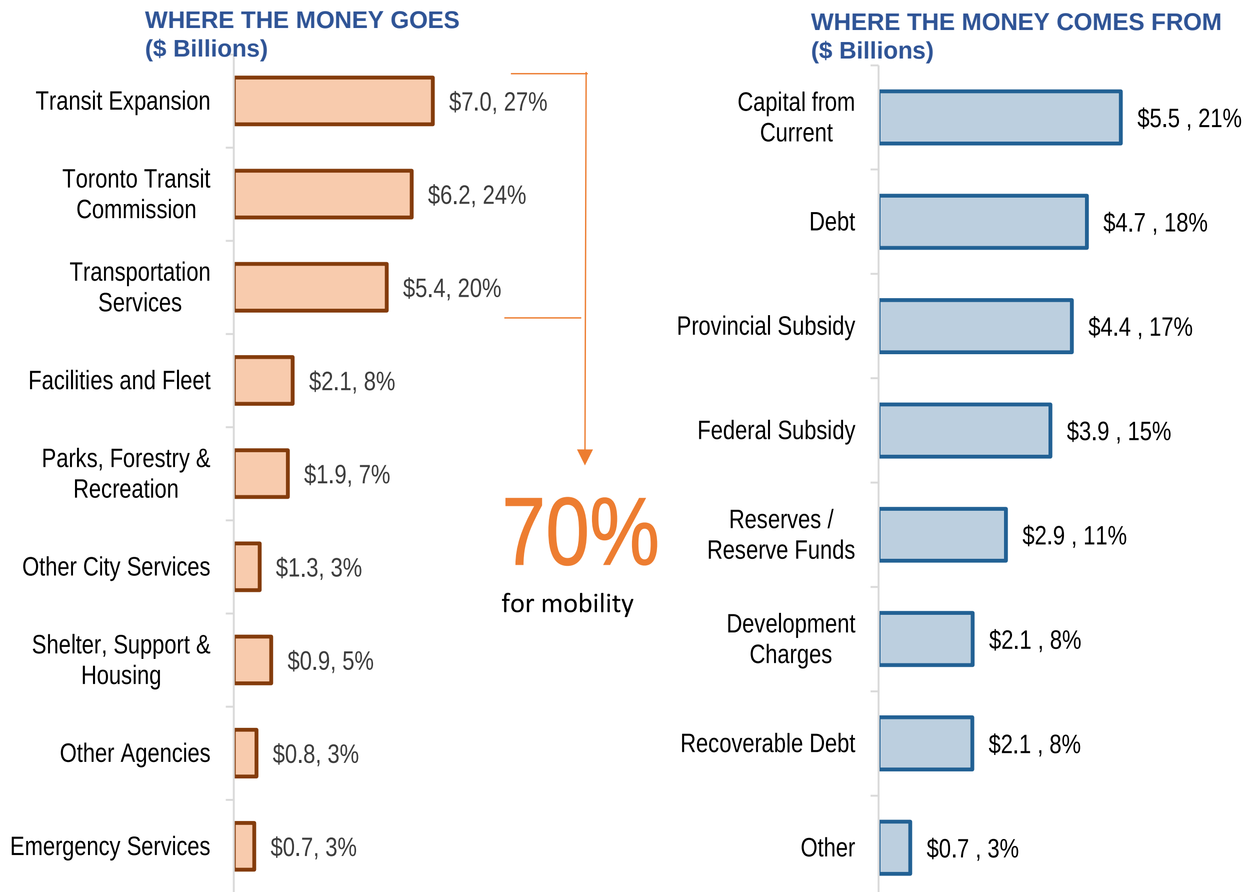
Additional Investments:	$ Millions	
	Gross	**Debt**
Key mobility, city building, and SOGR needs to be funded:	**$785.0**	**$598.0**
Transit projects - Relief Line utility relocation & equipment	$325.0	$163.0
Critical City bridge rehabilitation	$113.0	$113.0
TTC bus purchase: (approx. 120 buses to be replaced)	$108.0	$108.0
Public spaces: Old City Hall and Etobicoke Civic Center design, etc.	$72.0	$68.0
Continued modernization of City Operations: Accounting; Business Intelligence; Office Modernization; Human Resources, etc.	$42.0	$42.0
Emergency Services facilities: Paramedics multi-function station #2, Fire Prevention Office space, etc.	$17.0	$13.0
Other projects*: AODA, High Lake Effect flooding damage, wind storm damages, major maintenance, etc.	$107.0	$92.0

*Includes BC Recommended signage replacement of $1.9 million for LiveTO

2019-2028 BC Recommended Tax Supported Capital Budget and Plan

The 2019-2028 BC Recommended Capital Budget and Plan is based on the 2018-2027 Approved Capital Plan, adjusted for changes to cash flow funding estimates to be better timed with project activities, project timing, costs and dependencies, the additional $735 million of critical investment plus a new 10th year of capital works in 2028. The Budget Committee Recommended 10-Year Capital Plan totals $26.229 billion and requires $10.170 in debt/CFC funding as illustrated in Chart 4 on the following page:

Chart 4: 2019-2028 BC Recommended Tax Supported Capital Budget and Plan



About 70% of the funding is dedicated to meeting mobility objectives such as:

- *Transit Expansion*: This includes funding for the Scarborough Subway Extension as well as SmartTrack Stations (Eglinton West LRT) and planning costs for the Waterfront Exhibition to Dufferin Loop as well as the Relief Line and closeout costs for the Spadina Subway Extension project;

- *TTC*: This provides funding for transit capacity improvements, State of Good Repair program and fleet replacement excluding any additional funding needs identified in the recently announced Capital investment plan;

- *Transportation* projects provide funding for the Gardiner Expressway Rehabilitation, local and major road rehabilitation, City bridge rehabilitation outside of the Gardiner project, the Vision Zero Road Safety and City Cycling Plans and other additional needs identified by Transportation particularly for the first three years;

The 10-year Capital Plan funds other key capital priorities that provide:

- Parks, Forestry and Recreation with the $500 million required to deliver service improvement and growth projects identified in the Master Facilities Plan;

- Shelter, Support & Housing Administration with funding to complete the George Street Revitalization project and continuation of the addition of 1,000 beds addition to 11 new shelter sites that Council approved last year as well as $40 million for TCHC to continue with SOGR repairs to their housing stock;

- Facilities Management, Real Estate, Environment & Energy with funding for state of good repair and AODA compliance in City facilities, the revitalization of Union Station; St. Lawrence Market North and feasibility of future revitalization of Old City Hall and the Relocation of the Etobicoke Civic Centre; and

- Waterfront Revitalization with the City's funding for the Portland Flood Protection project that is being cost-shared by the 3 orders of government to prepare for revitalization of and growth in the lower east downtown area.

Funding allocation decisions are carefully made with the objective of optimizing returns and are in alignment with project priorities.

A summary of the 10-Year Capital Plan's funding by project category over the 5 and 10 year period is provided in Table 9 below:

Table 9: City's Capital Investment by Project Category

Capital Budget and Plan Expenditures: ($M)	2019	2020	2021	2022	2023	2019 - 2023 Total	2024 - 2028 Total	2019-2028 Total	2019-2028 %
Health and Safety	77	125	110	29	37	378	132	510	1.9%
Legislated	106	151	181	174	168	780	289	1,069	4.1%
State of Good Repair	1,670	1,658	1,237	1,073	1,073	6,710	6,074	12,785	48.7%
Service Improvement	637	473	286	192	612	2,201	547	2,748	10.5%
Growth Related	493	1,037	743	811	679	3,763	5,355	9,119	34.8%
Total Expenditures	2,982	3,444	2,558	2,279	2,569	13,832	12,397	26,229	100%

The investment in SOGR projects maintains the City's infrastructure in a state of good repair to ensure assets are able to support the delivery of City services to the public and to meet service outcomes. The 2019 BC Recommended Capital Budget allocates $1.670 billion or 56.0% of recommended funding to SOGR projects while the 10-year Capital Plan will fund $12.785 billion, representing 48.7% of total funding.

Over one-third or $1.130 billion of the recommended 2019 BC Recommended Capital Budget is allocated to service improvement and growth related capital projects, growing to $11.866 billion or 45.2% of the total 10-year capital funding.

Taken together, the funding recommended in the 10-Year Capital Plan balances the need to ensure existing City assets are maintained in a state of good repair, with approximately 50% of the 10-year Capital Plan's recommended funding to do so while the remainder prepares the City to meet service needs arising from continued service demand and population growth with recommended funding for projects such as SmartTrack, the Scarborough Subway Extension (SSE), Port Lands Flood Protection as well as projects that will revitalize, expand or add new facilities that will serve the public such as the George Street Revitalization Project (GSR); and the expansion of shelter sites; childcare and community centres and libraries.

Capital projects are financed by various sources. The City's priority is to ensure that it leverages and maximizes all non-City and non-debt funding first before it issues debt. The breakdown of funding sources are summarized in Table 10 below:

Table 10: Funding Sources for Tax Supported Capital Budget and Plan

Capital Budget and Plan Expenditures: ($M)	2019	2020	2021	2022	2023	2019 - 2023 Total	2024 - 2028 Total	2019-2028 Total	2019-2028 %
Provincial Grants & Subsidies	411	433	483	676	522	2,525	1,838	4,363	16.6%
Federal Subsidy	415	240	247	259	286	1,448	2,429	3,877	14.8%
Reserves	325	245	170	168	339	1,247	925	2,172	8.3%
Reserve Funds	114	210	92	53	33	501	203	704	2.7%
Development Charges	312	418	358	256	210	1,553	568	2,121	8.1%
Other	124	144	97	64	62	492	220	712	2.7%
Debt - Recoverable	24	151	116	45	29	365	1,746	2,111	8.0%
Capital from Current	339	426	468	515	567	2,315	3,154	5,468	20.8%
Debt	917	1,178	527	244	522	3,388	1,314	4,702	17.9%
Total Funding	2,982	3,444	2,558	2,279	2,569	13,832	12,397	26,229	100%

The primary sources that fund the 2019-2028 BC Recommended Tax Supported Capital Budget and Plan include non-debt funding sources such as:

- Federal and Provincial subsidies of $0.827 billion (27.7%) for 2019 and $8.240 billion (31.4%) for the 10-year period predominately allocated to the Toronto Transit Commission;

- Reserve and reserve funding of $0.439 billion (14.7%) for 2019 and $2.876 billion (11.0%) over 10 years that reflects the use of Capital Financing Reserve funding made available from implementing the City's non-debt capital financing strategies which is described in more detail below;

- Development Charges of $0.312 billion in 2019 (10.5%) and growing $2.1 billion over 10 years (8.1%) to fund growth related projects arising from development and population growth;

- Other funding sources of $0.124 billion (4.2%) in 2019 and $0.712 billion (2.7%) for the 10 year period includes third party funding; donations and Section 37, 42 and 45 community benefit funds;

- Recoverable debt of $24 million (0.8%) in 2019 and $2.111 billion (8.0%) from 2019 to 2028 which includes the leverage of City Building Fund as a repayment of the debt servicing for the SmartTrack project;

- Capital from Current (CFC) funding that provides operating funds of $0.339 billion in 2019 and a total of $5.468 billion over the 10 year planning period on a "pay-as-you-go" basis to reduce the City's debt obligation; and

- As a result debt accounts for $0.917 billion (20.8%) of the 2019 Capital Budget's funding and $4.702 billion (17.9%) over the 10 years from 2019 to 2028.

Operating Impacts of Capital

The cost of maintaining and operating new infrastructure, rehabilitated or expanded facilities as well as the cost to sustain new technology are some key drivers that impact the City's Operating Budget. These cost drivers must be identified for consideration when evaluating capital projects to determine the costs and benefits of capital projects.

Full implementation of the capital projects will add a total of $37.7 million to the Operating Budget in 2019 and a total of $1.043 billion by the end of 2028 as outlined in Table 11 below:

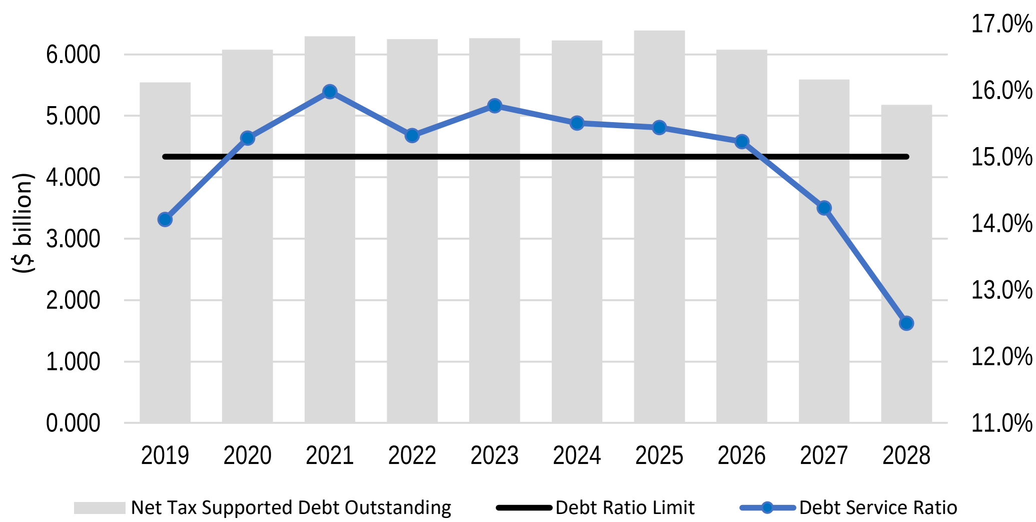
Table 11: 10-year view of incremental Impact on Operating Budget

Total Incremental Operating Impact ($M)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	10-Year Total
Operating Impact from Completed Capital Projects	35.0	25.3	29.7	13.8	21.3	31.5	36.8	49.1	53.1	59.8	355.4
Capital Financing	2.7	144.8	92.3	83.7	91.8	63.6	78.8	78.0	43.1	8.4	687.2
Total	37.7	170.2	122.0	97.4	113.1	95.1	115.6	127.1	96.2	68.2	1,042.6

Debt Servicing

The City is required, by legislation, to service the full cost of debt issuance on an annual basis by repaying both the principal and interest costs of borrowing. The City's debt affordability is governed by a policy that limits the ratio of debt service costs to no more than 15% of property tax income, on average over the 10-year capital planning period. The debt borrowing to fund the 2019- 2028 Capital Budget and Plan will result in the debt service costs, as a percentage of total property levy, to be maintained at 14.93%, just below the affordability limit of City's current policy of 15% average over 10 years as shown in Chart 5 on the following page:

Chart 5: Debt Service Ratio Contained at 14.93% Over 10 Years



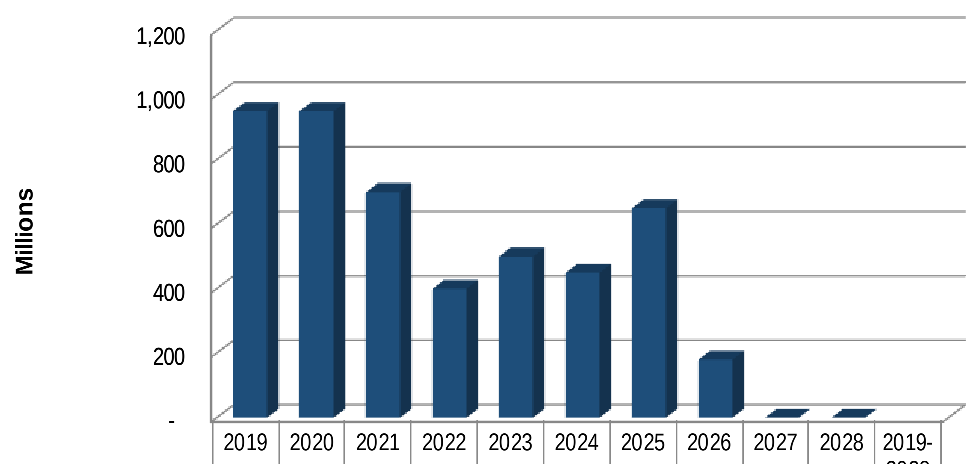
Debt Issuance

To accommodate the capital investments set out in the 2019-2028 BC Recommended Capital Budget and Plan, the City will need to issue $4.780 billion of debt over the next 10-year period that will be repaid through the property tax levy. Chart 6 below shows the estimated debt issuance annually during the 10-year period.

No new debt issuance is projected for years 2027 and 2028 as a result of:

- Higher debt issuance in earlier years with a diminishing requirement in the latter years;
- A projected debt requirement that is funded by projected increases in Capital From Current funding; and
- Maintaining the debt threshold below the 15% average over the 10 years.

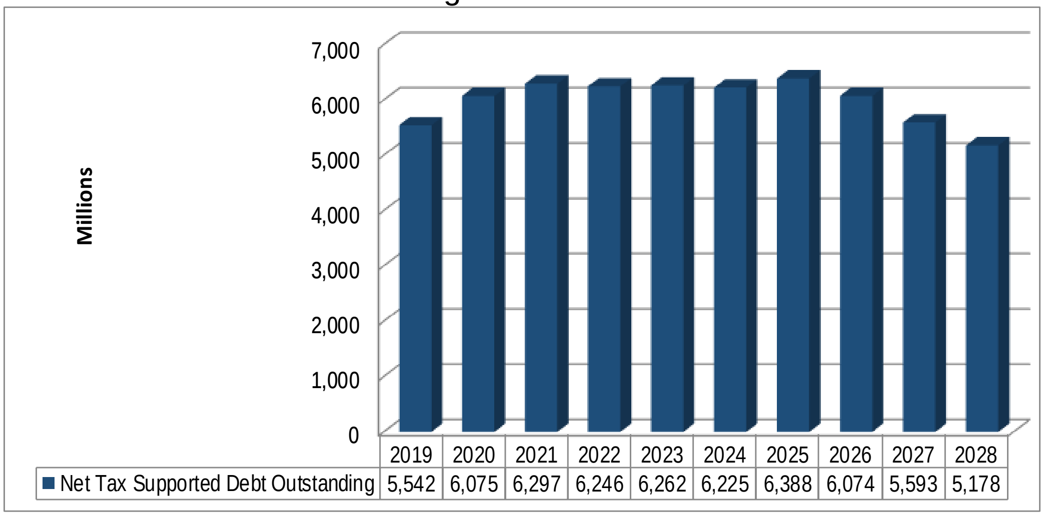
Chart 6: 2019-2028 Debt Issuance



	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2028
Debt Issuance ($m)	950	950	700	400	500	450	650	180	-	-	4,780

As a result of the debt issuance, the City's outstanding net debt will total $5.178 billion at the end of 2028 as outlined in Chart 7:

Chart 7: 2019-2028 Outstanding Debt



Challenges to be Addressed

- Growing SOGR Backlog

Despite investing $12.785 billion for SOGR capital works, the accumulated SOGR backlog estimate is projected to increase from $6.024 billion at the end of 2018 to $9.298 billion by the end of 2028. When represented as a percentage of asset value, the SOGR backlog appears to be contained: 12% at the end of 2018 and 12.4% by the end of 2028 as shown in Chart 8 below and Table 12 on the following page:

Chart 8: SOGR backlog estimate (Tax)

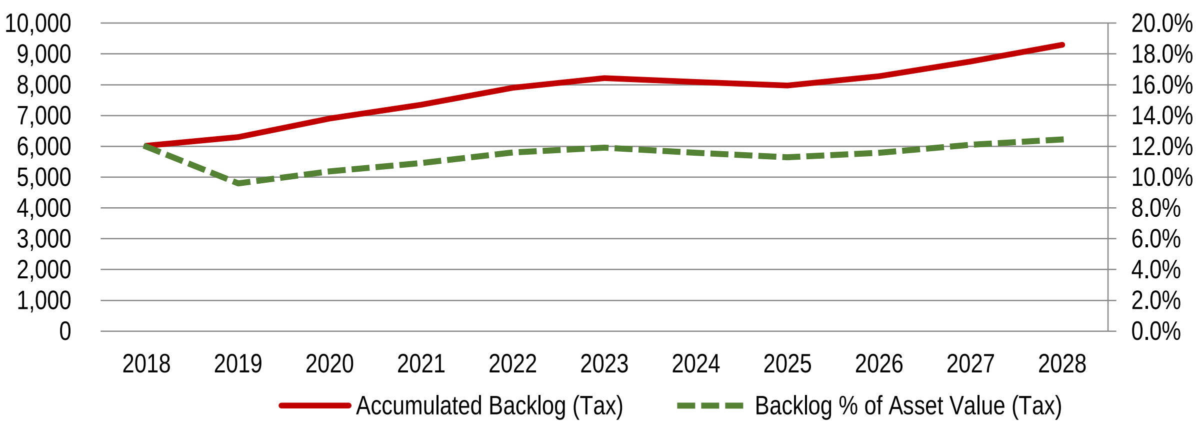


Table 12: SOGR Backlog as % of Asset Value (Tax)

Tax Supported ($M)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total Asset Value (Tax)	50,262	65,721	66,488	67,291	68,093	68,974	69,811	70,665	71,537	72,426	74,692
Accumulated Backlog (Tax)	6,024	6,306	6,902	7,347	7,898	8,215	8,085	7,976	8,282	8,758	9,298
Backlog % of Asset Value (Tax)	12.0%	9.6%	10.4%	10.9%	11.6%	11.9%	11.6%	11.3%	11.6%	12.1%	12.4%

However, when the targeted investment for the Gardiner Expressway Rehabilitation project is excluded from the is analysis, the SOGR backlog for remaining City Program and Agency assets is estimated to increase more steeply from $3.816 billion or 8.2% of asset value by the end of 2018 to $9.243 billion or 13.9% of asset value by the end of 2028, as demonstrated in Chart 9 below and Table 13 on the following page. This steep incline, is in part, due updated condition assessments providing better asset management information as well as the addition of Toronto Community Housing Corporation's SOGR backlog information ***in the absence of any additional funding being provided beyond the interim funding recommended for 2019.*** Staff will be developing a funding strategy to address this critical priority. It should also be noted that the SOGR needs identified in TTC's recently released Capital Investment Plan have not been included in this analysis.

Chart 9: SOGR Backlog as a % of Total Asset Value (Tax excl. FGG)

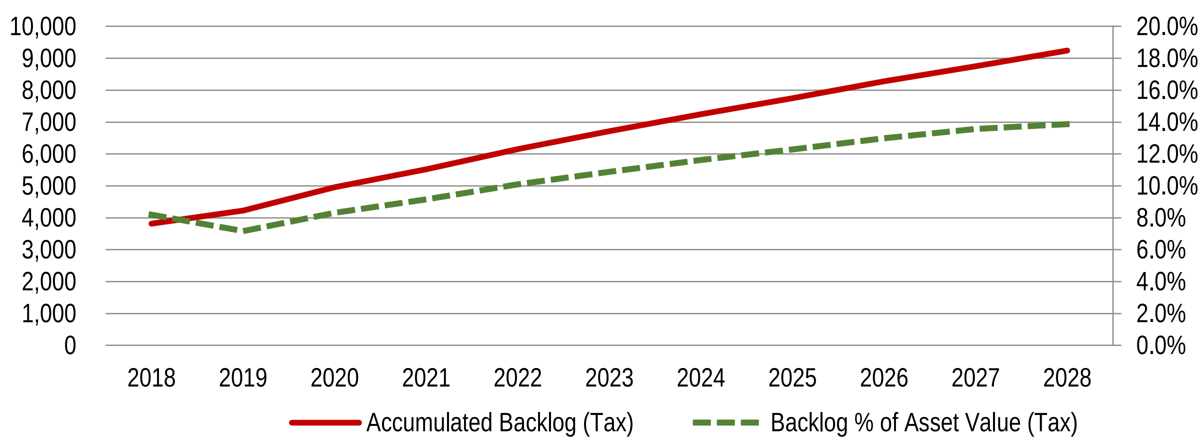


Table 13: SOGR Backlog as % of Asset Value for Tax Supported Program (excl. Gardiner Rehabilitation project)

Tax Supported excl. Gardiner ($M)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total Asset Value (Tax)	46,566	58,976	59,608	60,274	60,936	61,673	62,364	63,069	63,789	64,523	66,631
Accumulated Backlog (Tax)	3,816	4,227	4,959	5,522	6,149	6,714	7,250	7,745	8,279	8,750	9,243
Backlog % of Asset Value (Tax)	8.2%	7.2%	8.3%	9.2%	10.1%	10.9%	11.6%	12.3%	13.0%	13.6%	13.9%

SOGR investments included in the 2019-2028 BC Recommended Capital Budget and Plan will reduce the SOGR backlog in some Program areas, but not all. Going forward, priority will be given to those Programs with increasing accumulated SOGR backlog as summarized in Table 14 below.

Table 14: SOGR Backlog by Program – Summary

SOGR Backlog Tax Programs ($M)	2018	2019	2023	2028	10 Yr Change
Transportation Services	895	1,080	2,174	3,517	2,623 ▲
Toronto Transit Commission*	26	48	351	755	729 ▲
Facilities Mgmt Real Estate & Environ. & Energy	328	311	743	637	309 ▲
Parks, Forestry & Recreation	421	454	462	609	188 ▲
Toronto Public Library	59	68	96	161	103 ▲
Toronto Community Housing Corporation	1,560	1,763	2,440	3,161	1,601 ▲
Other	527	503	448	402	(125) ▼
Total SOGR Backlog (end of Year)	3,816	4,227	6,714	9,243	5,427 ▲
F.G.Gardiner Expressway Rehabilitation	2,209	2,079	1,501	55	(2,154) ▼
Total SOGR Backlog (end of Year)	6,024	6,306	8,215	9,298	3,274 ▲
Total Asset Value (end of year)	50,262	65,721	68,974	74,692	8,971
SOGR as % Asset Value	7.6%	6.4%	9.7%	12.4%	

* Not including TTC's Capital Investment Plan

As the City continues to perform condition audits of the capital assets and identify additional state of good repair or asset replacement needs *and,* the City adds new infrastructure and facilities, the SOGR Backlog is expected to grow, increasing the challenge of funding additional unmet needs.

- Capital Unmet Needs

Capital works that cannot be accommodated within the city's debt affordability framework given the City's 15% debt service ratio policy are considered unmet needs and not included in the City's Budget and Plan. The list of unmet needs is refined on an annual basis, with projects potentially added to the Capital Plan through project prioritization.

TTC has the largest share of the City's unmet capital needs given its extensive asset inventory; significant maintenance costs and the need to replace and add fleet. According to TTC's latest Capital Investment Plan, the Agency has approximately $23.7 billion of unmet capital needs in the next 15 years.

In addition to the TTC, the rest of the City's unmet capital needs is estimated at $13.573 billion gross requiring debt issuance of $8.612 billion over the next 10 years and for projects that begin in the 10 year timeframe but will be completed over following 5 years. Of this amount, $8.273 billion is required for SOGR projects to maintain City's asset in good working condition, $3.626 billion are growth related projects and $0.961 billion are for service improvement projects.

It should be noted that there are additional capital priorities excluded from the unmet needs cost estimate, such as:

  - Transit Expansion projects
  - Secondary, Master and Service Plans
  - Emerging City-wide or Local Priorities
  - New Capital Projects forecasted beyond the 10 year planning period

- Debt Maximized Against Current Benchmark and the Need for Non-Debt Funding Strategies

To meet its borrowing obligations, the City budgets debt service charges in its Operating Budget to repay both the principal and interest costs associated with its debt issuance for capital projects. With the approval of the 2019 – 2028 BC Recommended Capital Budget and Plan, the debt service charge is $608 million for 2019, and is projected to steadily increase to $789 million by 2026 before declining to $682 million by 2028.

Capital spending for Tax Supported Programs, which is largely supported through borrowing, is guided by the City's current policy on debt servicing costs and associated affordability concerns in the Operating Budget. The debt service cost as percentage of total property tax levy (also referred to as the debt ratio) associated with the 2019 – 2028 BC Recommended Capital Budget and Plan will be at 14.06% in 2019, however will gradually increase to a peak level of 15.77% in 2023 before declining to 12.50% by 2028.

The debt ratio for 2019-2028 BC Recommended Capital Budget and Plan will average 14.93% over the 10-year capital planning period. While the average remains within the

City's current debt service ratio policy, the debt service ratio is projected to exceed 15% of property tax revenue by 2020.

- It is also worth noting that the City's ability to remain below the 15% 10 year average is largely due to the lower percentage in 2019 and because there is no planned debt issuance in 2027 and 2028. When 2019 is eliminated, the average debt service cost as % of property tax levy is very likely to exceed 15%. The City will have to consider the debt service ratio limit as part of its debt policy to ensure continued support for capital investment needs while considering the associated operating funding that will be required to service the debt.

To minimize the debt level and the debt service burden on the Operating Budget while adding spending capacity to fund unmet capital needs, the City uses non-debt financing strategies, as discussed in the following section.

Non-Debt Capital Financing Strategies

In order to mitigate City-wide debt requirements, the City has established a series of non-debt capital financing strategies that enable the City fund new capital investments from various funding sources. These strategies ensure that the capital projects are properly funded, the City's debt is minimized, and that the City is protected from adverse economic risks. The funding of the non-debt financing strategies are mainly from the following sources:

- Capital from Current (CFC) Contributions

CFC funding, is a provision of tax funding that is transferred from the Current / Operating Fund to the Capital Fund in order to finance capital projects on a pay-as-you-go basis. This provides a financing mechanism for ongoing capital needs that have a shorter lifecycle. It is strategically increased at a 10% year-over-year growth rate to achieve a 50% debt and "pay-as-you-go" target. CFC funding helps to constrain the debt servicing ratio below the Council affirmed maximum threshold of 15%.

- Allocation of the Operating Surplus

The City's Surplus Management policy approved by Council in 2004 states that the annual operating surplus be applied in priority order to the following:

- Capital Financing Reserve (at least 75% of the surplus); and

- The remainder to fund any underfunded liabilities and / or reserve funds as determined by the Deputy City Manager & Chief Financial Officer.

Based on this policy, 75% of each year's operating surplus is allocated to the Capital Financing Reserve which is a major source of funding for this reserve that is utilized to fund approved major capital projects included in the 10-year Capital Plan.

- Dividends and One-time Proceeds

Another major source of non-debt funding applied to capital comes from proceeds generated from the value of City assets managed by the City's various entities. These proceeds come in the form of annual dividends paid to the City by Build Toronto as well as other one-time dividends from the sale of air rights by the Toronto Parking Authority. In the past, City Council has also directed other one-time proceeds as a contribution to the Capital Financing Reserve such as the sale of Enwave and part of the proceeds from the Bank Tower appeal settlement.

- Contribution from MLTT Revenue

Starting in 2015, $40 million of Municipal Land Transfer Tax revenue has been budgeted as a contribution to the Capital Financing Reserve as part of the annual budget approved by City Council. This serves as another source of capital funding as well as a buffer on the Operating Budget should MLTT revenues decline. Given the decline in MLTT revenue experienced in 2018 as result of housing market volatility, the City will be developing a strategy to redirect more MLTT revenue to fund capital expenditures.

The funds contributed to the Capital Financing Reserve from the above sources are applied in a strategic manner against major capital projects. Since 2012, over $1.726 billion of funding has been secured and contributed to the Capital Financing Reserve of the $2.153 billion required to fund critical capital projects that are dependent on this strategy, including over $1 billion for TTC, $931.0 million for Transportation Services, and over $201 million for other Programs such as Waterfront Revitalization: Parks, Forestry and Recreation; and Information & Technology.

Capital Spending Rates

The capital spending rate represents the actual capital spending incurred for the fiscal year as a percentage of the full year approved Capital Budget including in-year adjustments and carry forward funding from the prior years' unspent budget.

While overall capital spending has increased and some improvement has been made over the last 5 years, annual capital spending rates for Tax Supported Programs continue to be, on average, at around 60% as the Capital Budget and Plan has risen to record levels, as summarized in Table 15 on the following page:

Table 15: 2014-2018 Annual Capital Spending Rate

Tax Programs	2014	2015	2016	2017	2018*	5 Year Average
Health & Safety	9%	69%	56%	52%	73%	52%
Legislated	45%	83%	78%	62%	86%	71%
State of Good Repair	71%	69%	67%	70%	78%	71%
Service Improvement	46%	57%	50%	42%	57%	50%
Growth Related	56%	63%	42%	44%	57%	52%
Capital Spending Rate	59%	66%	56%	56%	67%	61%

* Approved Budget and Projected Actual as of Q3 Variance Reporting

The average spending rate for Tax Supported Programs from 2014 to 2018 is 61.0%. SOGR projects typically have the highest spending rate, followed by Health and Safety, and Legislated projects. Service Improvement and Growth Related projects, which make up almost half of the City's total Capital Budget, tends to have a lower spending rate than the other project categories because these projects tend to be more complex, include various stakeholders and have various constraints and dependencies on other factors.

Driven by the historical low capital spending rates, capital planning and budgeting strategies over the last 3 budget cycles have focused on improving the delivery of capital projects by implementing stage gating for major capital projects; better aligning cash flow funding estimates with project timelines and activities; and improving capital project management strategies to enhance the City’s capacity to deliver capital projects. Based on these actions, adjustments can be made to best align funding with expected spending performance. This strategy provides opportunities to reallocate unused funding sources to fund more critical unmet capital needs.

With unfunded capital needs to address the City’s SOGR backlog, service improvement and growth projects rising *and* the ratio of debt servicing costs to property tax revenue close to the City’s 15% threshold over the 10 year period, it is necessary that the City maximizes its use of debt funding and increases its debt and non-debt funding capacity with strategies that will advance City capital priorities.

In consideration of all the issues above, the Budget Committee has recommended that, Financial Planning and Corporate Finance staff, through the Chief Financial Officer and Treasurer, undertake the following key capital strategies:

1. That the City’s 10-year Capital Budget and Plan’s expenditure and funding sources be reassessed in time for the 2020 Budget process to ensure that the timing of capital project cash flow estimates and associated funding are aligned to actual project timelines, activities and capacity to deliver;

2. That efforts continue to mature the City’s asset management policies, standards and practices and report back together with Council’s consideration of the City’s Asset Management policy for approval by July, 2019, as required by Provincial legislation;

3. That a methodology be developed to integrate official, service and master planning with the capital planning and budgeting process and that criteria be established to support the setting of SOGR, Service Improvement and Growth capital project priorities by City Council, to be phased in over the term of Council; and

4. That, at a minimum, the following strategies to increase the City's funding capacity be developed for implementation, beginning with the 2020 Budget process:

    a. Continue the Capital from Current (CFC) growth strategy based on the outcome of the 10-year Capital Budget and Plan review referred to in Recommendation 1 above;
    b. Redirect a portion of the Municipal Land Transfer Tax revenue from funding ongoing service delivery to capital project funding;
    c. Maximize the use of Development Charges funding for growth related capital projects;
    d. Leverage City asset value and reinvest proceeds from the sale of City assets to fund capital priorities; and,
    e. Partner with Provincial and Federal government and the private sector to maximize funding opportunities.

Looking Forward

Achieving Long-Term Financial Sustainability

The City has maintained property tax rate increases to inflationary levels, while at the same time, continued to make investments in key priorities. However, the City continues to be challenged by social inequity; climatic impacts; aging infrastructure; changing demographics and associated service needs; anticipated population growth and the financial capacity to address these issues. Work is required to:

- Transform financial decision-making processes;
- Modernize and innovate service delivery;
- Ensure adequacy of reserves and revenue sources; and
- Continue to foster existing and new partnerships.

The Long-Term Financial Plan provides a framework for longer-term financial decision-making, including strategies and key actions to facilitate multi-year, integrated, strategic decision-making. The key actions and strategies contained in the Long-Term Financial Plan are intended to improve the long-term financial stability of the City. Implementation of the actions and directions will shift how the City approaches financial decision-making through its annual budget, service and financial planning, key expenditure, revenue and asset strategies, and intergovernmental fiscal frameworks.

The City Manager will be reporting to the Executive Committee in 2019 regarding a Long-Term Fiscal Sustainability Plan and potential future financial impacts resulting from the implementation of the following strategies and actions:

- Improving value for money;
- Securing adequate and fair revenue;
- Improving focus on financial balance sheet and health;
- Providing better information to support strategic decision; and
- Ensuring better integration with provincial and federal policies and fiscal direction.

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

ATTACHMENTS

Appendix 1: 2019 BC Recommended Tax Supported Operating Budget Recommendations by City Program and Agency

Appendix 2: 2019-2028 BC Recommended Tax Supported Capital Budget and Plan Recommendations by City Program and Agency

Appendix 3: 2019 Operating Budget and 2019 – 2028 Capital Budget and Plan – Detailed Schedules

2019 BC Recommended Operating Budget
Appendix 3.1.1 - 2019 Net Expenditure Budget
3.1.2 - 2019 Gross Expenditure Budget
3.1.3 - 2019 Revenue Budget
3.1.4 - 2019 Staff Complement
3.1.5 - 2019 Total New and Enhanced Service Investments

2019 BC Recommended Capital Budget and Future Year Commitments by Program and Funding Source
Appendix 3.2.1 - Including 2018 Carry Forward Funding
3.2.2 - Excluding 2018 Carry Forward Funding
3.2.3 - New and Change in Scope
3.2.4 - Previously Approved

2019 BC Recommended Capital Budget by Program and Funding Source
Appendix 3.2.5 - Including 2018 Carry Forward Funding
3.2.6 - Excluding 2018 Carry Forward Funding
3.2.7 - 2018 Carry Forward Funding

2019-2028 BC Recommended Capital Budget and Plan
Appendix 3.3.1 - Total by Category and Funding Source
3.3.2 - by Program and Category

2019-2028 BC Recommended Capital Budget and Plan
Appendix 3.4.1 - By Program, by Year, Excluding 2018 Carry Forward Funding
3.4.2 - By Program and Funding Source, Excluding 2018 Carry Forward Funding